



May 19, 2022

To whom it may concern:

Company Name: KITO CORPORATION  
Representative: Yoshio Kito, Representative Director  
and President  
Code Number: 6409 (Tokyo Stock Exchange Prime  
Market)  
Inquiries: Masafumi Kokubo, Executive Officer  
GM, Corporate Planning Division  
TEL: +81 3 - 5908 - 0161

**(Correction) Partial Correction of “Announcement of Position Statement on the Planned Commencement of the Tender Offer for Shares, etc. of KITO by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of KITO and Crosby Group”**

KITO CORPORATION hereby announces a partial correction to its “Announcement of Position Statement on the Planned Commencement of the Tender Offer for Shares, etc. of KITO by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of KITO and Crosby Group” disclosed on May 16, 2022. The corrected parts are shown with underlines.

End

(Attachment) Disclosure after the correction

“Announcement of Position Statement on the Planned Commencement of the Tender Offer for Shares, etc. of KITO by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of KITO and Crosby Group”

## **News Release (6409 TSE)**



[Translation]

May 16, 2022

To whom it may concern:

Company Name: KITO CORPORATION  
Representative: Yoshio Kito, President & CEO  
Code Number: 6409 (Tokyo Stock Exchange Prime Market)  
Inquiries: Masafumi Kokubo Executive Officer  
GM, Corporate Planning Division  
TEL: +81 3-5908-0161

### **Announcement of Position Statement on the Planned Commencement of the Tender Offer for Shares, etc. of KITO by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of KITO and Crosby Group**

As notified in the Announcement Regarding the Business Combination of KITO CORPORATION and Crosby Group announced on this day (“Business Combination Press Release”), KITO (the “Company”) has this day entered into a business combination agreement (the “Business Combination Agreement”) concerning a business combination of the Company and the Crosby Group (defined below; collectively with the Company, the “Companies”) that is based on a spirit of equality (the “Business Combination”) with Lifting Holdings Limited (“HoldCo”), which is the parent company holding all of the issued and outstanding shares of Lifting Holdings BidCo, Inc. (“Offeror”), Crosby US Acquisition Corp., which is a wholly owned subsidiary of HoldCo (“Crosby US”), and Crosby UK Acquisition Limited, which is a wholly owned subsidiary of HoldCo (“Crosby UK”, and HoldCo and its subsidiaries, including Crosby US and Crosby UK and The Crosby Group LLC, a corporation established under the laws of Delaware, United States, of which HoldCo indirectly through Crosby US and a number of its subsidiaries (collectively “Other Crosby US Subsidiaries”) holds all the issued shares (“Crosby”), collectively “Crosby Group”) (for details of the Business Combination Agreement, see “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer”).

Further, in relation to the tender offer (the “Tender Offer”) for the Company’s common stock (the “Company Shares”) and the Stock Acquisition Rights (as defined in “(2) Stock Acquisition Rights” under “2. Purchase, etc. Price”) by the Offeror whose shares are all directly held by HoldCo as part of the Business Combination, at the board of directors meeting held today, a resolution was made stating that if the Tender Offer commences, the position of the company

## ***News Release (6409 TSE)***

as of this date is that it will declare a position in support of the Tender Offer and that it will recommend that the Company's shareholders and stock acquisition right holders (the "Stock Acquisition Right Holders") accept the Tender Offer. Having done so, the Company announces the following.

According to the Offeror, because the procedures and steps required under competition laws in Japan, the U.S., China, Australia, Cyprus, and Serbia are expected to take time to complete, the Offeror plans to commence the Tender Offer on the date that the Tender Offer Conditions Precedent (Note 1), including the completion of such procedures and steps, are satisfied (or on a day that is within 10 business days from the day that they are waived with the consent of all of HoldCo, Crosby US, Crosby UK, and the Company (Note 2) that is a day separately agreed among HoldCo, Crosby US, Crosby UK, and the Company (the "Tender Offer Commencement Date")). We are informed that as of today, the Offeror aims to complete procedures, etc. with regulatory authorities inside and outside Japan in mid-October, 2022, and to commence the Tender Offer in late October, 2022, but as it is difficult to accurately predict the time it will require to deal with regulatory authorities inside and outside Japan, they will provide notice of a more detailed schedule for the Tender Offer once clearances have been obtained from all regulatory authorities. (We are informed that any changes to the expected timing of the obtainment of regulatory authorities' approval and commencement of the Tender Offer as stated above will be also announced promptly.)

For these reasons, at the aforementioned board of directors meeting it was resolved to take the following steps pertaining to the position statement of the Company. As set out in the section below titled "(i) Establishment of an independent special committee at the Company" under "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest" of "3. Details of, Grounds, and Reasons for the Position Regarding the Relevant Tender Offer," the Company's board of directors additionally resolved that when the Tender Offer commences, the special committee established by the Company will be asked to review whether or not there is any change to the contents of the report (the "Report") submitted this day by the special committee to the Company's board of directors, and if there is no change, state this fact to the Company's board of directors, and if there is a change, to state a position after the change, and based on such position, the Company will again publish its position on the Tender Offer when the Tender Offer commences.

The above resolution of the board of directors is made on the premise that a series of transactions (the "Transactions") to achieve the Business Combination, including transactions with the purpose of making the Offeror the only shareholder of the Company's through the Tender Offer and the subsequent series of transactions is contemplated, and that the Company Shares are scheduled to be delisted.

Note 1: The Business Combination Agreement provides that the commencement of the Tender Offer is subject to the following conditions precedent: (i) the clearances pursuant to competition laws (Note 3) required to execute the Business Combination shall have been obtained; (ii) the board of directors of the Company shall have adopted a resolution expressing its position in support of the Tender Offer and a recommendation that its shareholders

## ***News Release (6409 TSE)***

and Stock Acquisition Right Holders accept the Tender Offer (collectively, the “Opinion to Support and Recommend to Tender in the Tender Offer”), and the Opinion to Support and Recommend to Tender in the Tender Offer shall remain in effect at the time the Tender Offer is commenced without amendment, supplement, or modification; (iii) the special committee of the Company reviewing the Business Combination shall have submitted to the board of directors of the Company an opinion that it is appropriate for the board of directors of the Company to issue the Opinion to Support and Recommend to Tender in the Tender offer, and such opinion shall remain in effect at the time the Tender Offer is commenced without amendment, supplement, or modification; (iv) the Company shall have performed and complied with, in all material respects, all obligations under the Business Combination Agreement (Note 4) that are required to be performed and complied with by it on or before the Tender Offer Commencement Date, and the representations and warranties of the Company set forth in the Business Combination Agreement (Note 5) shall be true and correct in all material respects as of the date of the Business Combination Agreement and the Tender Offer Commencement Date; (v) HoldCo, Crosby US, and Crosby UK shall have performed and complied with, in all material respects, all obligations under the Business Combination Agreement (Note 6) that are required to be performed and complied with by it on or before the Tender Offer Commencement Date, and the representations and warranties of HoldCo, Crosby US and Crosby UK set forth in the Business Combination Agreement (Note 7) shall be true and correct in all material respects as of the date of the Business Combination Agreement and the Tender Offer Commencement Date; (vi) no governmental authority of any competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any law or made any final and binding request of a party or injunction, that is in effect and has the effect of making the Business Combination illegal or otherwise prohibiting or preventing the consummation of the Business Combination; (vii) there shall be no “material fact pertaining to the business” (Article 166, Paragraph 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; as amended; the “Act”) of the Company that has not been “publicized” (Article 166, Paragraph 4 of the Act) by the Company; (viii) no event or circumstance shall have occurred since the date of the Business Combination Agreement that would be a withdrawal event under Article 27-11, Paragraph 1 of the Act with respect to the Tender Offer should the Tender Offer commence; and (ix) the Business Combination Agreement has not been terminated and remains in full force and effect (collectively, “Tender Offer Conditions Precedent”).

Note 2: Under the Business Combination Agreement, it is stipulated that, among the Tender Offer Conditions Precedent, (i) to (iii) and (vi), (vii), and (ix) may be waived by the agreement of all four of HoldCo, Crosby US, Crosby UK, and the Company if permitted under applicable laws and regulations,

## **News Release (6409 TSE)**

(v) may be waived by sole discretion of the Company, and (iv) and (viii) are be waived by sole discretion of HoldCo, Crosby US, or Crosby UK. Note that, regarding (i), if it is reasonably anticipated that the necessary regulatory clearances will be obtained during the period for the Tender Offer purchase, etc. (the “Tender Offer Period”), when it is permitted under applicable laws and regulations, it is possible that the Tender Offer may start early upon waiving the relevant preconditions, by agreement of all for of HoldCo, Crosby US, Crosby UK and the Company, for the purposes of providing the Company’s shareholders with an early opportunity to tender in response to the Tender Offer and moving forward swiftly with the Business Combination.

Note 3: This means notification under competition laws in Japan, The United States, China, Austria, Cyprus and Serbia.

Note 4: Please refer to the section below titled “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer” for details of the obligations of the Company provided in the Business Combination Agreement.

Note 5: Please refer to the section below titled “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer” for the representations and warranties of the Company provided in the Business Combination Agreement.

Note 6: Please refer to the section below titled “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer” for details of the obligations of HoldCo, Crosby US, and Crosby UK provided in the Business Combination Agreement.

Note 7: Please refer to the section below titled “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer” for the representations and warranties of the HoldCo, Crosby US, and Crosby UK provided in the Business Combination Agreement.

### 1. Outline of Offeror

(1)	Name	Lifting Holdings BidCo, Inc.
(2)	Location	Pacific Century Place Marunouchi 11-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3)	Position, name of representative	Robert Desel, Representative Director Brandon Brahm Representative Director
(4)	Business details	(1) Trading (2) All businesses related or incidental to the preceding item
(5)	Capital	5,000 yen
(6)	Incorporation date	April 28, 2022

## News Release (6409 TSE)

(7)	Major shareholders and shareholding ratio (as of May 16, 2022)	Lifting Holdings Limited 100%
(8)	Relationship between the Company and Offeror	
	Capital ties	Not applicable.
	Personal ties	Not applicable.
	Business ties	Not applicable.
	Circumstances relevant to related parties	Not applicable.

### 2. Purchase, etc. Price

(1) Company Shares

2,725 yen per one share of common stock

(2) Stock acquisition rights

- (a) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 22, 2012 and the resolution at the board of directors meeting held on May 28, 2013 (the “Tenth Series Stock Acquisition Rights”) (the exercise period is from May 29, 2015 to May 28, 2023): 374,400 yen per stock acquisition right
  - (b) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 20, 2013 and the resolution at the board of directors meeting held on May 27, 2014 (the “Eleventh Series Stock Acquisition Rights”) (the exercise period is from May 28, 2016 to May 27, 2024): 317,000 yen per stock acquisition right
  - (c) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 23, 2015 and the resolution at the board of directors meeting held on May 31, 2016 (the “Thirteenth Series Stock Acquisition Rights”) (the exercise period is from June 1, 2018 to May 31, 2026): 366,800 yen per stock acquisition right
  - (d) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 21, 2016 and the resolution at the board of directors meeting held on May 30, 2017 (the “Fourteenth Series Stock Acquisition Rights”) (the exercise period is from May 31, 2019 to May 30, 2027): 303,800 yen per stock acquisition right
  - (e) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 21, 2017 and the resolution at the board of directors meeting held on May 29, 2018 (the “Fifteenth Series Stock Acquisition Rights”) (the exercise period is from May 30, 2020 to May 29, 2028): 66,200 yen per stock acquisition right
- (The Tenth Series Stock Acquisition Rights, the Eleventh Series Stock Acquisition Rights, the Thirteenth Series Stock Acquisition Rights, the

## ***News Release (6409 TSE)***

Fourteenth Series Stock Acquisition Rights, and the Fifteenth Series Stock Acquisition Rights are hereinafter collectively referred to as the “Stock Acquisition Rights.”)

### 3. Details of, Grounds, and Reasons for the Position Regarding the Relevant Tender Offer

#### (1) Details of the position regarding the Tender Offer

At the board of directors meeting held today, a resolution was made stating that based on the grounds and reasons set out in the section below titled “(2) Grounds and reasons for the position regarding the Tender Offer”, if the Tender Offer is commenced, the position of the company as of this date is that it will declare a position in support of the Tender Offer and that it will recommend that all of the Company’s shareholders and Stock Acquisition Right Holders accept the Tender Offer.

As set forth above, according to the Offeror, it plans to commence the Tender Offer promptly upon satisfaction of the Tender Offer Conditions Precedent (or the same are waived with the consent of all four of HoldCo, Crosby US, Crosby UK, and the Company). We are informed that as of today, the Offeror is targeting late October 2022 for commencement of the Tender Offer, but as it is difficult to accurately predict the time it will require to deal with competition authorities inside and outside Japan, it will provide notice of a more detailed schedule for the Tender Offer once all regulatory clearances have been obtained and decided.

For these reasons, at the aforementioned board of directors meeting it was resolved to take the following steps pertaining to the position statement of the Company. As set out in the section below titled “(i) Establishment of an independent special committee at the Company” under “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest,” the Company’s board of directors additionally resolved that when the Tender Offer commences, the special committee established by the Company will be asked to review whether or not there is any change to the contents of the Report, and if there is no change, state this fact to the Company’s board of directors, and if there is a change, to state a position after the change, and based on such position, the Company will again publish its position on the Tender Offer when the Tender Offer commences.

The aforementioned board of directors resolution was resolved in the manner set out in the section below titled “(v) Approval of all directors and opinion of all auditors that there is no objection at the Company” under “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest”

#### (2) Grounds and reasons for the position regarding the Tender Offer

## ***News Release (6409 TSE)***

Statements concerning the Offerors (defined below) that are the grounds and reasons for the position regarding the Tender Offer are based on explanations received from the Offerors.

(i) Summary of the Tender Offer

We are informed that the Offeror was established on April 28 2022 for the primary purpose of controlling and managing the business activities of the Company through the acquisition of and holding of the Company Shares after the completion of the Tender Offer, and, as of today, is a wholly owned subsidiary of HoldCo, established under the laws of England and Wales with its business purposes of holding subsidiary shares and managing its subsidiaries. We are informed that Ascend Overseas Limited (“Ascend”), established under the laws of England and Wales, with its business purpose of holding shares of HoldCo, holds approximately 96.7% of the shares of HoldCo (and that the management of HoldCo holds the remainder), and that funds, investment vehicles and/or separately managed accounts (Note 1) (“KKR Advised Entities”) advised by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates and other related funds, “KKR”), an investment advisory company established under the laws of Delaware, the United States, directly or indirectly hold a 100% stake in Ascend. We are informed that HoldCo directly holds a 100% stake in Crosby US, and Crosby UK, established under the laws of England and Wales, and indirectly holds a 100% stake in Crosby, established under the laws of Delaware, United States (“Crosby, Crosby US, Crosby UK, HoldCo, and the Offeror collectively the “Offerors”). We are informed that as of today, the Offerors and KKR do not hold any Company Shares.

Note 1: “Separately managed accounts” are entities structured for investment by one investor or related investors whereby KKR earns management and incentive fees, pursuant to a single management agreement between KKR and the investor(s) that are party to that account.

We are informed that the KKR Advised Entities acquired the subsidiaries of Crosby US and Crosby UK from Melrose Industries Plc through Ascend. Crosby US and Crosby UK were used as acquisition vehicles in such acquisition, with the current Crosby Group being formed from such acquisition. We are informed that Crosby Group was founded in 1836 and is headquartered in the United States, and has been engaged in the lifting and securement hardware (Note 2) industry for nearly two centuries with a focus on safety, quality, training and engineering leadership. We are informed that Crosby Group maintains a global presence, with manufacturing and commercial operations across 16 manufacturing sites and 10 distribution centers in North America, Europe, Brazil, and Australia. We are informed that with an international network of approximately 3,000 authorized distributors, Crosby Group provides a broad range of products used in a wide variety of industries and applications. We are informed that given its focus on being highly responsive to customer needs, Crosby Group has prioritized investment in

## ***News Release (6409 TSE)***

innovation and new product development in lifting and securement hardware and related technology. Additionally, we are informed that it is making significant investments into the operations of the business, including an investment in a Longview, Texas, manufacturing facility with the aim of improving employee safety, increasing output, and bolstering efficiency. Moreover, we are informed that Crosby Group has also made acquisitions of companies that are complementary with Crosby Group's business to support the company's continued growth and customer value proposition.

Note 2: "Lifting and securement hardware" are accessories and hardware used to secure, lift or move equipment, construction components or other assets usually in conjunction with lifting hardware.

We are informed that KKR is a leading global investment firm that offers alternative asset management for its investors as well as capital markets and insurance solutions. We are informed that KKR sponsors investment funds that invest in private equity, credit, and real assets and has strategic partners that manage hedge funds of which KKR is a minority shareholder.

We are informed that since the opening of its Tokyo office in 2006, KKR has actively expanded its investment activities in the Japanese market, with investment professionals possessing a thorough understanding of Japanese business practices. We are informed that since 2010, the KKR Advised Entities have invested in ten companies headquartered in Japan, including three take-private transactions of Japanese publicly-listed companies. We are informed that, most recently, examples of KKR's main investments targets in Japan include Hitachi Koki Co., Ltd. (2017), Hitachi Kokusai Electric Inc. (2017), Seiyu Co., Ltd. (2021), and Yayoi Co., Ltd. (2022). We are informed that through these transactions, KKR has worked and is working to support investment into and acceleration of growth for Japanese companies in various industry sectors, which are expected to achieve high growth in the future through KKR's capital, resources, and network with such companies. We are informed that KKR's investment activities in the Japanese market are further supported by its global capabilities, with KKR having offices in 21 cities and 109 private equity portfolio companies as of December 31, 2021. More broadly, we are informed that KKR has a deep history in the industrial machinery sector as evidenced by the investments in Gardner Denver Inc., a US corporation providing compressors, blowers, and vacuum pumps (2013), Capital Safety Ltd., a UK corporation manufacturing fall protection equipment (2011), and Crosby (2013), etc. We are informed that in total, KKR had a total of US\$471 billion in assets under management as of December 31, 2021.

We are informed that today, HoldCo, Crosby US, Crosby UK, and the Company entered into the Business Combination Agreement regarding the Business Combination between Crosby Group and the Company, and on the condition that the Tender Offer Conditions Precedent are satisfied or waived, decided that the Offeror will conduct the Tender Offer for the purpose of acquiring all of the Company Shares listed on the Prime Market of Tokyo Stock Exchange,

## **News Release (6409 TSE)**

Inc. (“TSE”) as of today and Stock Acquisition Rights (excluding treasury shares owned by the Company; the same applies hereinafter) as part of the Transactions. In deciding the Offeror, after the Business Combination (defined in (iii) “Management policy after the Tender Offer”; hereinafter the same), Crosby US and Crosby UK would become sister companies of the Company, and, in order to enable the Company Group (27 companies in total, composed of the Company, 25 consolidated subsidiaries, and a non-consolidated subsidiary which is not an affiliate to which the equity method is applicable; hereinafter the same) and Crosby Group to enact a smooth business combination and conduct operations in a spirit of a “merger of equals” to maximize the corporate value of the Combined Group (defined below), the Offeror is conducting the Tender Offer, rather than subsidiaries including Crosby US and Crosby UK acting as the tender offeror.

If the total number of share certificates, etc. tendered in response to the Tender Offer (the “Tendered Share Certificates, Etc.”) is less than the minimum number of share certificates, etc. to be purchased (13,817,400 shares, ownership percentage (Note 3): 66.67%) (Note 4), then the Offeror has informed us that they will not purchase any of the Tendered Share Certificates, Etc. However, we have been informed that because the purpose is to acquire all of the Company Shares and the Stock Acquisition Rights, the Offeror has not set a limit on the maximum number of share certificates, etc. to be purchased, and if the total number of Tendered Share Certificates, Etc. is equal to or greater than this minimum number of the share certificates, etc. (13,817,400 shares), then the Offeror will purchase all of the Tendered Share Certificates, Etc. We are informed that the minimum number of share certificates, etc. to be purchased (13,817,400 shares) is to be the product of two thirds of the number of voting rights relating to the Total Number of Shares After Considering Potential Shares (defined below) (207,260 voting rights) (this amounts to 138,174 voting rights; rounded up to the nearest whole number), multiplied by 100 (13,817,400 shares), which is the share unit number of the Company. We are informed that because the purpose is to acquire all of the Company Shares and the Stock Acquisition Rights as part of the Transactions, the minimum number has been set to ensure that the Transactions will be carried out given that a special resolution in the shareholders’ meeting as provided for in Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005; as amended; the same applies hereinafter) is required for carrying out the procedures for the Share Consolidation as described in the section below titled “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition”)”).

Note 3: “Ownership percentage” means the percentage ratio (rounded to two decimal places) of the number of shares (20,726,019 shares) (the “Total Number of Shares After Considering Potential Shares”) equal to the sum (21,196,200 shares) of the total number of issued shares of the Company as of March 31, 2022 (21,048,200 shares) as stated in the “Business Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

## ***News Release (6409 TSE)***

(Consolidated)” submitted by the Company on May 16, 2022 (the “Company’s Business Results”) and (i) the Company Shares (20,000 shares) underlying the Tenth Series Stock Acquisition Rights (100 stock acquisition rights), (ii) the Company Shares (17,000 shares) underlying the Eleventh Series Stock Acquisition Rights (85 stock acquisition rights), (iii) the Company Shares (20,000 shares) underlying the Thirteenth Series Stock Acquisition Rights remaining (100 stock acquisition rights), (iv) the Company Shares (51,000 shares) underlying the Fourteenth Series Stock Acquisition Rights (255 stock acquisition rights), and (v) the Company Shares (40,000 shares) underlying the Fifteenth Series Stock Acquisition Rights (200 stock acquisition rights), in each case remaining as of today and as reported by the Company, less the treasury shares (470,181 shares) owned by the Company as of today. This applies hereinafter in the calculation of the ownership percentage.

Note 4: We are informed that the minimum number of share certificates, etc. to be purchased is provisional and depends on the information as of today, and the actual minimum number of share certificates, etc. to be purchased in the Tender Offer may differ from the number above due to a change of situation occurring hereafter. We are informed that the final minimum number of share certificates, etc. to be purchased is planned to be determined before the commencement of the Tender Offer, based on the latest number of treasury shares owned by the Company available as of the commencement of the Tender Offer.

We are informed that if the Tender Offer has been successfully completed, but the Offeror is unable to acquire all of the Company Shares and all of the Stock Acquisition Rights in the Tender Offer, then the Offeror intends to carry out the Squeeze-Out Procedures (meaning a series of procedures described in the section below titled “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition”)”, hereinafter the “Squeeze-Out Procedures”) in order for the Offeror to make the Company a wholly-owned subsidiary of the Offeror after the Tender Offer is concluded.

We are informed that the Offeror intends to cover the funds required for the settlement of the Tender Offer by equity contributions by HoldCo (the “Contribution”) and by an intercompany loan from Crosby US, a wholly-owned subsidiary of HoldCo. We are informed that Crosby US intends to borrow the funds necessary to permit such intercompany loan through incremental borrowings from financial institutions under its existing credit facilities (the “Debt Financing”) in order to ensure maximum flexibility for the business operations of the Company Group and reduce transaction costs by securing financing on more favorable terms that place fewer obligations on the business operations of the Company Group than financing secured by Offeror itself. We are informed that, with respect to the Debt Financing, it is possible that a security will be established over part of the Company Shares or the assets of the Company Group or that the Company Group will provide

## ***News Release (6409 TSE)***

a joint guarantee. HoldCo also intends to cover a part of the Contribution through an equity financing by KKR North America Fund XI L.P., a limited partnership affiliated with KKR established under the laws of the U.S.

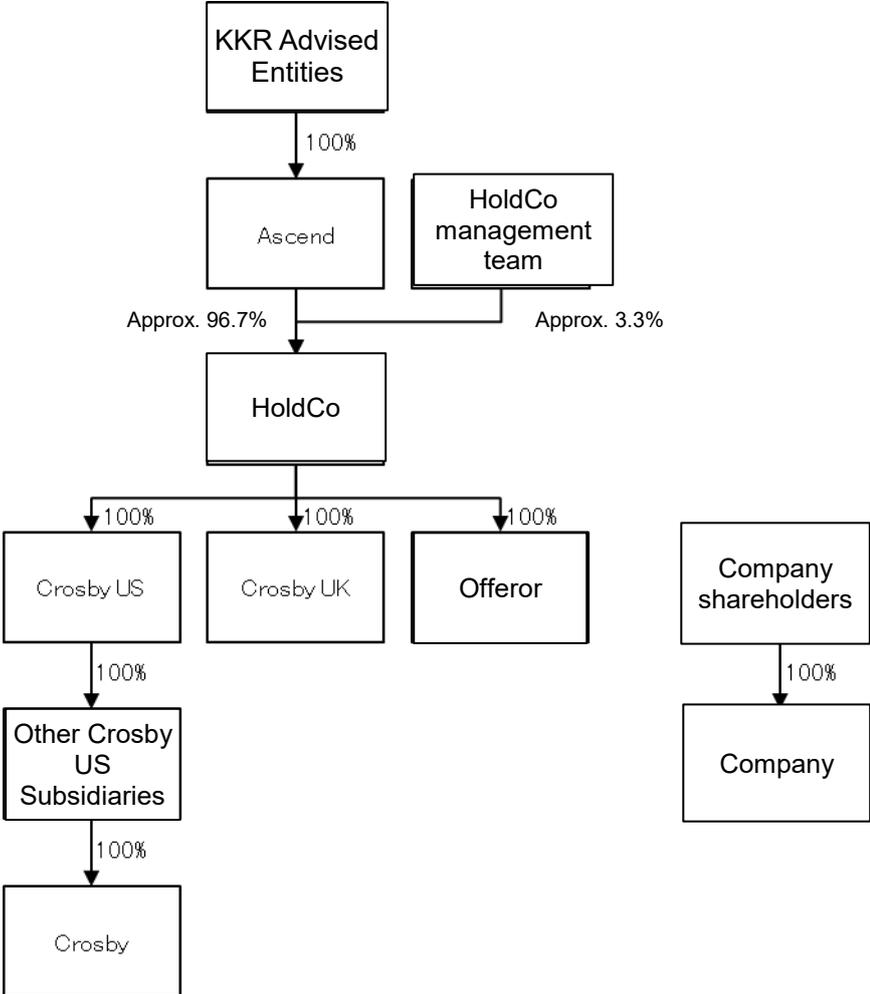
The Transactions, including the Tender Offer, are conducted as part of the Business Combination, and the Offerors and the Company plan to change the trade name of the HoldCo promptly after the Squeeze-Out Procedures to Kito | Crosby. As a result of this series of transactions Kito | Crosby will indirectly hold all of the shares or equity in the Company, Crosby US, and Crosby UK (Kito | Crosby after the completion of the Business Combination is hereinafter referred to as the “Combined Company” and the Combined Company and its subsidiaries (i.e., the Company Group and the Crosby Group) are collectively referred to as the “Combined Group”). Please refer to the Business Combination Press Release for details regarding the Business Combination.

The following is the broad outline of the Transaction in diagram form.

<Structure diagram of the Transactions (Note 5)>

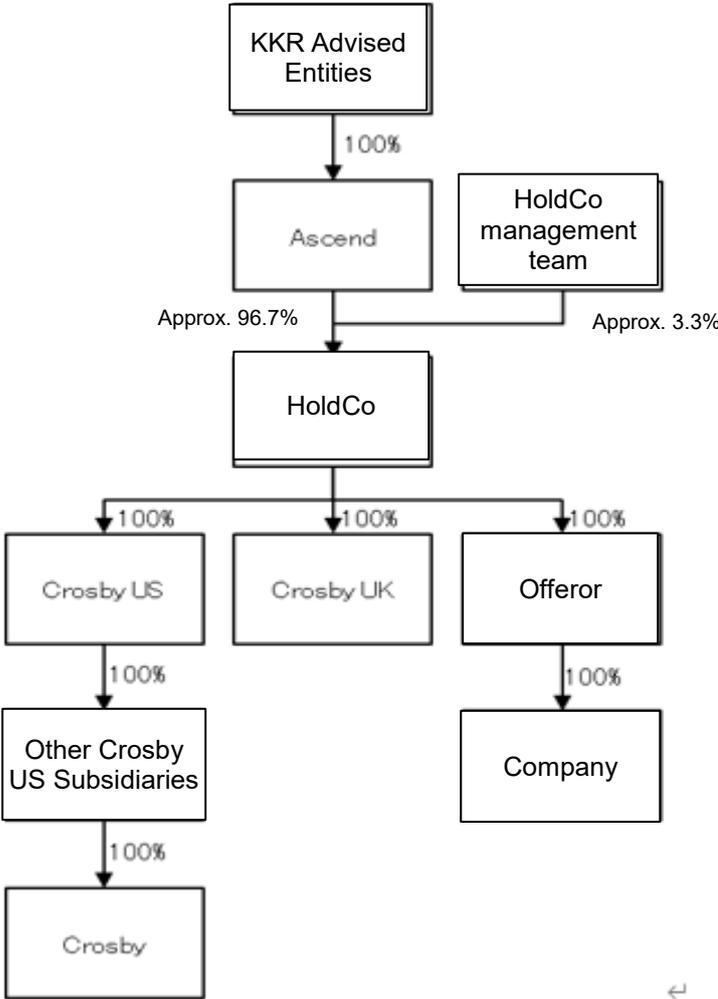
I. Before Tender Offer implementation (current state)

## News Release (6409 TSE)



II. After Tender Offer and Squeeze Out procedure

**News Release (6409 TSE)**



(Note 5: The values in the diagrams are the direct or indirect holding ratios)

(ii) Background, purpose, and decision-making process leading to the decision by Offerors to conduct the Tender Offer

We have been informed that Crosby has had a highly informed admiration for the Company’s brands, product innovation, product quality, company leadership, and market reputation. We have been informed that it was the 2014 acquisition by the Company’s US subsidiary KITO Americas, Inc. of Peerless Industrial Group, Inc. (“Peerless”), which supplied products to Crosby, in which Peerless introduced Crosby to the Company, that led to Crosby’s admiration for the Company described above. Beyond information gathered through these former supply relationships, we have been informed that Crosby has deepened its understanding of the business of the Company since November 2016 through publicly available industry information and insights gathered from trade shows and industry conferences, and regular interaction with the Company’s management, as part of its efforts to identify potential partners for M&A transactions or other strategic alliances. Also, we have been informed that Crosby has confirmed the Company’s positive reputation in the

## ***News Release (6409 TSE)***

industry through the appraisals of reputation by channel participants such as distributors, end users, and suppliers.

We have been informed that, with this kind of positive reputation of the Company in the background, Crosby understood that there is favorable demand globally for the products of the Company Group as manufacturing and other industries continue to recover from the impacts of the pandemic of COVID-19 in 2020 and 2021. Furthermore, we have been informed that Crosby believes that the Company and Crosby face similar challenges of, lower capital expenditure in infrastructure and construction-related industries, etc. due to the spread of COVID-19, and navigating material shortages such as steel, and inflationary challenges leading to increased raw material costs, repair componentry costs, and freight and packaging costs amid higher costs from the impact of current inflation on personnel costs, raw material prices and transport costs in the current supply chain environment, and that the Company also understands the importance of overcoming these issues. We have been informed that Crosby believes the combination of the Crosby Group and the Company Group would provide more stable operational resources and flexibility to help manage these dynamic headwinds in the form of capital to invest in the business after the Business Combination, sharing practices from Crosby Group and the companies in the Company Group to ensure even better safety practices, and product innovation and sharing of ideas by employees, positioning the combined company to be better equipped to serve customers, employees, and communities in the face of supply chain challenges and inflationary pressures. As a result, we are informed that Crosby believes that the Combined Group would be able to maintain better quality created from sharing manufacturing practices, and achieve better customer service from sharing talent and greater combined experience with servicing customers than either Crosby Group or the Company Group could achieve on their own. Additionally, we are informed that it is believed that the Combined Group would likely be able to utilize their complementary capabilities in new product development to create innovations for new and existing customers of each of the Crosby Group and the Company Group. Specifically, we are informed that the Company Group has expertise in crane applications and Crosby Group has expertise in rigging hardware applications (meaning hardware attached to items used for ensuring safety, lifting, and hosting), which are complementary product areas within the lifting and securement hardware industry. Moreover, we are informed that it is believed that the Combined Group can also use their complementary geographic presences such as Crosby Group being headquartered in the U.S. and the Company Group being headquartered in Japan, giving the Combined Group better presence globally to service customers across the globe to add further value to employees, customers, suppliers and communities, and to promote sales of the products across a broader geographic landscape to better serve customers.

We are informed that since the acquisition of Crosby in 2013, KKR has closely assisted Crosby in its strategic decision-making processes, including providing advice on Crosby's acquisition strategy. We are informed that KKR's three senior investment professionals and two senior advisors are members of

## ***News Release (6409 TSE)***

Crosby's board of directors. We are informed that KKR and Crosby US entered into a monitoring agreement, and as part of the services under this agreement, that KKR provides Crosby with (i) identification, support, negotiations, and analysis of acquisition targets and sales targets, and (ii) support for financing and strategic support for negotiations and analysis, not limited to those entailed by acquisitions. We are informed that KKR is in regular discussion with the management team of Crosby to assist in identifying and evaluating acquisition targets, assisting in due diligence, and assisting in the integration of acquisition targets into Crosby, as with other investment targets. We are informed that through such discussions, KKR and Crosby have identified several potential strategic partners including the Company. We are informed that through the process of due diligence on the Company, KKR assisted Crosby in its evaluation of the Company and ultimately is providing support for the Transactions given the strategic merits of the Combined Group.

Informed by the information gathered through research on the Company using publicly available information and insights gathered from trade shows and industry conferences as part of its general research to identify potential partners for M&A transactions including business integration or other strategic alliances and impressed by its strong franchise and operating performance, we are informed that Crosby, as one of the specific strategy partner candidates, initiated a dialog with the Company's senior management team starting in early June 2021 for the purpose of seeking possibilities of M&A or other business alliances. On Crosby initially introducing KKR to the Company, KKR agreed with Crosby's idea of holding dialogue with the Company. These conversations involved provisional strategic discussion on the respective businesses and on the structure of an alliance, including a strategic alliance, minority investments, joint venture and business combination, which we are informed allowed Crosby to further hone its appreciation for the Company's business and how a business combination of Crosby and the Company would maximize corporate value of both companies and benefit customers and suppliers by expanding high quality product offerings, increasing service levels for distributors, and realizing procurement and manufacturing efficiencies. On the basis of discussions relating to those preliminary strategies, Crosby decided to start talks relating to a potential business combination with the Company. Thereafter, through a series of touchpoints and check-ins by Crosby with the Company's senior team over the subsequent months (early June 2021 to mid-February 2022), we are informed that Crosby came to gain a strong conviction on the strategic merits of a business combination between the Company and Crosby as Crosby was able to understand and appreciate the Company's management philosophy, corporate culture, business operation focusing on the quality and safety of its products and deepened discussions regarding the viability of synergy creation opportunities, and that it would unlock significant value for all stakeholders in a way that is materially different from alternative partners which Crosby considered and examined as potential partners or standalone options by expanding high-quality products, improving service levels to distributors and streamlining procurement and production. We are informed that Crosby examined transaction schemes to achieve the Business Combination with advisors. We are informed that Crosby sought the

## ***News Release (6409 TSE)***

advice of KKR as KKR has experience of multiple transactions, KKR provided business management strategy to Crosby, and senior investment professionals and senior advisors of KKR were members of the board of directors of Crosby. We are informed that, based on advice from experts and KKR, Crosby reached a conclusion that a tender offer followed by squeeze-out procedures would be the most appropriate structure to choose for the Transactions, considering that (i) the Offeror can make the Company its wholly-owned company and conduct the Business Combination between the Company Group and Crosby Group, (ii) the structure and procedure of the transaction are simple compared to conducting a corporate reorganization under the Companies Act of Japan or other transactions, given that the Offerors are foreign entities and have no existing capital relationship with the Company, (iii) the transaction could offer the shareholders of the Company an opportunity to sell their shares with premiums if the transaction terms are appropriate, and (iv) it is a common method of taking a Japanese listed company private. We are informed that KKR supported the selection of this structure for the same reasons. We are informed that it was concluded that after the Business Combination, as stated in (i) “Outline of the Tender Offer”, Crosby US and Crosby UK would become sister companies of the Company, and that, in order to enable the Combined Group and Crosby Group to enact a smooth business combination and conduct operations in a spirit of a “merger of equals” to maximize the corporate value of the Combined Company group, the Offeror would conduct the Tender Offer, rather than subsidiaries including Crosby US and Crosby UK acting as the tender offeror. Ultimately, we are informed that Crosby submitted a legally non-binding letter of intent to the Company on February 14, 2022 proposing a business integration of the Company Group and the Crosby Group through a Tender Offer for Company Shares followed by a squeeze out (the “Letter of Intent”). We are informed that the timing of the submission of the Letter of Intent to the Company was motivated by the current macroeconomic environment such as material shortages and inflationary pressures described above, which we are informed that Crosby believes to be well-suited to bring together the Companies because the Combined Group will have access to more resources to solve these challenges. Specifically, we are informed that Crosby believes the increased focus on infrastructure spending and safety – as demonstrated by the passing in the U.S. of the \$550 billion Infrastructure Investment and Jobs Act signed on November 15, 2021 – highlights the need for the Combined Group to invest in innovation, quality, and customer service for the Company Group and Crosby Group product categories. As described previously, we are informed that Crosby believes the combined businesses will be better able to support customers in the global infrastructure, wind energy, and entertainment industries through enhanced investment in new products, a more responsive supply chain and product delivery mechanism, and broader access to end-user training. We are informed that these initiatives would be lesser served by Crosby Group and the Company Group separately because the individual entities would have fewer resources, in the form of capital for investment, people engaged in research and development, and ideas for improving safety, and thus would not be able to expand the product portfolio and develop a stronger supply

## ***News Release (6409 TSE)***

chain. We are informed that this is viewed as particularly important given the difficult supply chain environment businesses are currently facing, making the benefits of a combination compelling at this time.

The Company responded to the Letter of Intent on February 25, 2022, allowing Crosby to initiate due diligence. Also, in this response, it was stated that the board of directors of the Company discussed the Letter of Intent, including the strategic merit presented by Crosby, and approved establishing a special committee to evaluate the proposal.

Crosby and the Company commenced due diligence mutually from around early March 2022 and we are informed that Crosby focused on developing a deeper understanding of the Company's mid-term financial plan as well as confirmatory due diligence concerning areas such as accounting, tax, legal, information technology, benefits, insurance, and environmental topics. Through discussions with Company related to its mid-term financial plan, we are informed that Crosby developed a deeper understanding of the standalone objectives of the Company, which further affirmed the potential for value creation of the combined entity.

We are informed that through such diligence and various analysis and discussions, Crosby reconfirmed its belief that the Business Combination would unlock significant value for all stakeholders in a way that is materially different from alternative partners which Crosby considered and examined as potential partners or standalone options by expanding high-quality products, improving service levels to distributors and streamlining procurement and production. We are informed that Crosby believes that the Business Combination would result in strong value delivered to both companies' end-users, employees, channel partners, suppliers, and shareholders. We are informed that based on having completed the majority of due diligence in mid-April 2022, Crosby is convinced that the Company Group and Crosby Group, through the Business Combination, will be best positioned to deliver increased value across a wide range of areas and generate synergies, including the matters stated below.

- Higher investment in areas such as product development, market research, and expertise in core areas such as metallurgy, additive manufacturing, and technology to drive continued leadership in innovation and safety. Superior product innovation will, we are informed, be driven by the ability to enhance investment in engineering and product design, yielding benefits across a larger portfolio of products to best serve the joint end-user base of the Company Group and Crosby Group. In addition, we are informed that the Company Group and Crosby Group can bring complementary engineering and product capabilities to this combination; specifically, the Company Group's core capability being in mechanical and electro-mechanical disciplines while Crosby Group brings its capabilities in metallurgy and metal forming technologies and products, together these areas of competencies will enable new and innovative products that blend both disciplines. We are informed that the Company Group and Crosby Group each contribute mutually to the profitability that enables efficient investments in product development and market research, which can be shared across both teams.

## ***News Release (6409 TSE)***

- Continued advancements in the safety culture shared by the Parties by implementation of a global safety council, leveraging best practices and increased financial resources for greater investment in safety initiatives. We are informed that the Company Group and Crosby Group both have a safety mindset, which is evidenced by the fact that both companies received the Associated Wire Rope Fabricators (AWRF) Safety Award in North America in 2020 and will share such mindset in the combined business. We are told that while the Companies each have some unique core manufacturing processes (e.g., forging for Crosby Group, machining and robotics for the Company Group), their somewhat different sets of safety practices can be shared across the combined business to create a single set of best practices, which will ultimately drive increased worker safety.
- Increase in opportunities for all employees through expanded and diverse career and development paths which would be achieved through more diverse international rotational assignments, as well as the overall increased size and scope of activities that allow for new opportunities within local regions. We have been informed that broader and more diversified career paths in the Combined Group will enable attraction and retention of the best available talent in the market driving innovation and productivity. We are informed that the Company Group and Crosby Group both equally bring a focus on the treatment of team members to the Business Combination. We are informed that the increased size and scope of the combined business allows for team members from both businesses to have an opportunity for larger roles in the combined business. We are informed that it is considered that the Company Group and Crosby Group each contributing mutually to profitability will enable efficient investments in training, development of rotational programs or temporary overseas assignments.
- Improved ability to invest in and deliver on ESG (Environment, Social, and Governance) metrics such as environmental stewardship, a diverse and engaged workforce, and a strong focus on governance and corporate social responsibility. We are informed that examples of Crosby Group's environmental stewardship include installation of LED lighting at manufacturing facilities, inclusion of EVs in the corporate leasing program, and EV charging stations at select locations, we are informed. We are informed that Crosby is in the process of creating an environmental CAPEX sub-committee to prioritize further investments in ESG, irrespective of short-term financial returns. We are informed that Crosby Group has also focused its M&A strategy on the renewable energy market, such as the 2021 acquisition of Airpes Sistemas Integrales de Manutencion Y Pesaje S.L., established in Spain and a leader in lifting tools used during the erection of wind turbines, and that for every transaction completed, a comprehensive environmental audit is conducted by third parties. We are informed that the Companies value ESG initiatives, as further evidenced by Crosby's provision of the UpLift Women's network, which is an internal organization to connect the female officers and employees of Crosby through regular meetings and speaker series that provide

## ***News Release (6409 TSE)***

leadership and developmental training; investment in the community through partnerships with Children of Fallen Patriots, a foundation in the United States that provides college scholarships and educational counseling to military children who have lost a parent in the line of duty, investments in local society through Bridges to Prosperity, a nonprofit organization in the United States that works to eliminate rural isolation through the building of bridges, and investments in improving the work environment and worker welfare, and by the Company's "A" rating for ESG Management by Mitsubishi UFJ Research and Consulting, supported by the Japan Credit Agency, introduction of effective zero CO<sub>2</sub> energy at the Company's manufacturing facilities (announced March 31, 2022), provision of products for wind power generators, and disabled employee ratio of close to 7%, well above and beyond the statutory rate of 2.2%. We are informed that the Company Group and Crosby Group bring complementary areas of focus for investing in the communities in which they operate. We are informed that the Company Group's higher level of focus and experience in areas such as environmental issues and employment of disabled persons is complementary with Crosby Group's historical focus on higher education and hands on building and construction for underprivileged communities. We are informed that, through cooperation by both companies, there is the potential to enhance their communities in a broader array of areas than either company could on its own.

- Expansion of high-quality products and solutions to efficiently allow end-users and channel partners to procure from a trusted provider. We are informed that it is considered that end-users will be able to experience higher levels of efficiency and safety in their organizations through better technical, application, and training support from the Combined Group, as well as through increased product innovation.
- Increase in commitment to the local communities in which the Company Group and Crosby Group operate by expanding opportunities for community service, engagement, and support of causes important to local populations. We are informed that both the Company Group and Crosby Group independently have volunteering and community outreach programs that it is considered can be expanded through the Business Combination due to increased availability of resources. We are informed that Crosby Group's community involvement includes a partnership with Bridges to Prosperity, an organization that works to eliminate rural isolation through the building of pedestrian bridges. We are informed that Crosby Group donates products and provides training and expertise required for the construction of pedestrian bridges throughout Eastern Africa, and sends team members to Uganda to assist in the construction of pedestrian bridges.

We are informed that in order to achieve the above, Crosby believes that it is essential to privatize the Company through the Business Combination. We are told that the reason is that Crosby believes that by privatizing the Company, it will become possible to create an environment in which the management will have the

## ***News Release (6409 TSE)***

flexibility to make decisions and investments that will yield long-term benefits for the business, customers, team members, and communities. We are informed that Crosby also believes that it is necessary to privatize the Company because frictionless exchange of information and ideas would not be possible in a minority investment or making the Company a subsidiary whose shares remain listed, given the practical and legal limitations on integration of teams and business strategy deployment for public companies with minority shareholders, as well as communication channels and day-to-day cooperation that are limited from the perspective of confidentiality, and potential conflicts of interests with minority shareholders that can occur even with optimized decision making as the Combined Group. We are informed that by making the Company a wholly owned subsidiary of the Tender Offeror and creating an integrated group, the Combined Group would be able to have management team members and the broader employee base move freely between organizations to openly share best practices, support investment in product innovation and intellectual property development, and invest in growth without practical and legal hindrance or conflicts of interest. We are informed that since it will become easier to communicate without conflicts of interest and interests will become aligned after making the Company a wholly-owned subsidiary, this type of open exchange of information without restriction and support of investment in product innovation and intellectual property development would be extremely difficult in a minority investment or making the Company a subsidiary whose shares remain listed.

We are informed that, based on the review process above and consultation and negotiation with the Company, KKR decided to support Crosby in its decision to pursue the Transactions, and that Crosby has been in discussions and negotiations with the Company and the special committee regarding whether to implement the Transactions and the terms and conditions including the details of the transaction structure, as well as the management and operational plans after the Business Combination, and Crosby submitted a non-binding proposal on April 27, 2022 regarding the tender offer price in the Tender Offer (the “Tender Offer Price”) (the “First Proposal”).

We are informed that Crosby conducted a comprehensive and multifaceted analysis of the Company’s business, financial status, and future plan, and made the Tender Offer Price in the First Proposal JPY 2,400, considering that (i) Crosby believed the price would not cause any disadvantages to the shareholders of the Company, given the premiums of the Tender Offer Price to market prices of the Company Shares as of April 26, 2022 were (a) 39.70% to the simple average closing prices of the Company Shares over the preceding one-month period of JPY 1,718, (b) 41.34% to the simple average closing prices of the Company Shares over the preceding three-month period of JPY 1,698, and (c) 36.21% to the simple average closing prices of the Company Shares over the preceding six-month period of JPY 1,762, and (ii) Crosby could provide the shareholders that purchased the Company Shares at a higher price than the current price over the past three years with an opportunity to sell the Company Shares at a higher price than the purchase prices for such shareholders, given the highest closing price of the Company Shares over

## ***News Release (6409 TSE)***

the past three years was JPY 2,055. We are informed that there was no specific proposal for the purchase price of the stock acquisition rights of the Company (“Stock Acquisition Rights Tender Offer Price”) in the First Proposal because the Tender Offer Price was proposed on a fully diluted basis assuming all Stock Acquisition Rights have been fully exercised (i.e., the total number of shares is 20,724,019 shares (note)).

Note: Based on information obtained by Crosby as of the submission date of the First Proposal (April 27, 2022), the sum of the total number of issued shares of the Company as of December 31, 2021 (21,048,200 shares) as stated in the “Business Results for the Third Quarter For the Year Ending March 31, 2022 [Japanese GAAP] (Consolidated)” submitted by the Company on February 8, 2022 and (i) the Company Shares (20,000 shares) underlying the Tenth Series Stock Acquisition Rights (100 stock acquisition rights), (ii) the Company Shares (17,000 shares) underlying the Eleventh Series Stock Acquisition Rights (85 stock acquisition rights), (iii) the Company Shares (20,000 shares) underlying the Thirteenth Series Stock Acquisition Rights remaining (100 stock acquisition rights), (iv) the Company Shares (51,000 shares) underlying the Fourteenth Series Stock Acquisition Rights (255 stock acquisition rights), and (v) the Company Shares (40,000 shares) underlying the Fifteenth Series Stock Acquisition Rights (200 stock acquisition rights), in each case remaining as of February 28, 2022 and as reported by the Company, less the treasury shares (472,181 shares) owned by the Company as of December 31, 2021.

On May 2, 2022 after the submission of the First Proposal, Crosby received a request from the Company to raise the Tender Offer Price to JPY 3,000 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee. Crosby also received a request to submit the Stock Acquisition Rights Tender Offer Price.

On receiving the request from the Company, Crosby examined raising the price, and on May 5, 2022 submitted a non-binding proposal (“Second Proposal”) with the Tender Offer Price of JPY 2,550 (the premiums of the Tender Offer Price to market prices of the Company Shares as of May 2, 2022 were (a) 50.71% to the simple average closing prices of the Company Shares over the preceding one-month period of JPY 1,692, (b) 50.18% to the simple average closing prices of the Company Shares over the preceding three-month period of JPY 1,698, and (c) 44.39% to the simple average closing prices of the Company Shares over the preceding six-month period of JPY 1,766 ) and the Stock Acquisition Rights Tender Offer Price of the product of the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right multiplied by the 200 Company Shares that underlie each such Stock Acquisition Right.

On May 10, 2022 after the submission of the Second Proposal, Crosby received a request from the Company to raise the Tender Offer Price to JPY 2,900 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee.

## ***News Release (6409 TSE)***

On receiving the request from the Company, Crosby examined raising the price, and on May 10, 2022 submitted a non-binding proposal (“Third Proposal”) with the Tender Offer Price of JPY 2,650 (the premiums of the Tender Offer Price to market prices of the Company Shares as of May 9, 2022 were (a) 58.11% to the simple average closing prices of the Company Shares over the preceding one-month period of JPY 1,676, (b) 56.25% to the simple average closing prices of the Company Shares over the preceding three-month period of JPY 1,696, and (c) 50.14% to the simple average closing prices of the Company Shares over the preceding six-month period of JPY 1,765 ).

On May 11, 2022 after the submission of the Third Proposal, Crosby received another request from the Company to raise the Tender Offer Price to JPY 2,900 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee.

On receiving the request from the Company, Crosby examined raising the price, and on May 13, 2022 submitted a non-binding proposal (“Fourth Proposal”) with the Tender Offer Price of JPY 2,725 (the premiums of the Tender Offer Price to market prices of the Company Shares as of May 12, 2022 were (a) 63.08% to the simple average closing prices of the Company Shares over the preceding one-month period of JPY 1,671, (b) 60.96% to the simple average closing prices of the Company Shares over the preceding three-month period of JPY 1,693, and (c) 54.57% to the simple average closing prices of the Company Shares over the preceding six-month period of JPY 1,763 ). We are informed that as a result, Crosby received a response to accept the Tender Offer Price under the Fourth Proposal from the Company on the condition that Crosby submits a binding final offer setting the Tender Offer Price at JPY 2,725. Based on such response from the Company, on May 14, 2022, Crosby submitted a final binding proposal that the Tender Offer Price shall be JPY 2,725 and the Stock Acquisition Rights Tender Offer Price shall be the amount obtained by multiplying 200, which is the number of the Company Shares represented by each of such stock option, by the difference between the Tender Offer Price and the exercise price of each stock option per the Company’s common shares and, on the same date, the Company agreed on such final offer.

We are informed that based on the response from the Company described above, on May 16, 2022, Crosby finally determined the Tender Offer Price to be JPY 2,725 and the Stock Acquisition Rights Tender Offer Price to be the product of the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right multiplied by the 200 Company Shares that underlie each such Stock Acquisition Right, and having considered alternatives to maximizing corporate value, management and operational plans, the recent performance of the Company, key takeaways from due diligence conducted by Crosby (including growth trends in the U.S. and Asia, future investment plans into the business, and potential for synergy creation through complementary products), the price trend of the Company’s shares, economic sentiment, whether the Company’s management and the special committee would endorse the transaction, and the prospect of the shareholders accepting the Tender Offer and the Offeror determined today to commence the Tender Offer on the condition that the Tender

## ***News Release (6409 TSE)***

Offer Conditions Precedent are satisfied or waived.

(iii) Management policy after the Tender Offer

We are informed that if the Tender Offer has been successfully completed, the Offeror intends to make the Offeror the sole shareholder of the Company as stated in the section above titled “(1) Summary of the Tender Offer.” We are informed that after the completion of the Squeeze-Out Procedures, an absorption-type merger (the “Merger”) is scheduled to be implemented between the Company and the Offeror, with the Company as the surviving company. After the Merger takes effect, the HoldCo will directly own all shares of the Company. Note that, as of today, the HoldCo does not have specific plans to assign the Company’s shares to a third party or regarding reinvestment in the Company by a third party through the HoldCo.

We are informed that after completion of the Transactions, the Combined Group will be operated with the purpose of achieving a smooth integration and maximizing the corporate value of the Combined Group in a spirit of cooperation, valuing the brands, employees, customers, suppliers, communities, and plant facilities of Crosby Group and the Company Group as “One Company, One Team and One Mission” on an equal footing, and balance certain levels of autonomy of the businesses of the Company and Crosby Group with the harmony and consistency of Kito | Crosby as a whole. The Combined Group will also implement measures to enhance the Company’s corporate value with a view to further grow and globalize the Company by deploying and utilizing management resources, global industry knowledge, and a global network that Crosby Group can provide, as well as utilizing the solid business foundation that the Company has built to date.

Under the Business Combination Agreement, HoldCo, Crosby US, Crosby UK, and the Company have also agreed on the governance and operation of the Combined Company. Please refer to the section below titled “4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer” for the details of the Business Combination Agreement.

(iv) Decision-making process and reasons leading to Company approval of the Tender Offer

(a) Business environment for the Company and the Company’s management challenges

Since the Company was founded in November 1932 by its founder, Miyoshi Kito, in Omori (Ota Ward, Tokyo) as The Kito Manufacturing Company, it has earned deep trust for its development of a business manufacturing and selling material handling devices (Note) that are vital for lifting, carrying and immobilizing items. The Company began overseas expansion in earnest with the creation of a US subsidiary in 1990, and today has 17 business subsidiaries operating in 15 countries, including in North America, Asia, and European countries, with revenue outside Japan responsible for around 75% of the total revenue of the Company group. The

## ***News Release (6409 TSE)***

Company's products and services demonstrate high levels of durability and safety to meet sustained demand at all levels of economic development, and moreover have evolved to meet the needs of the wide range of industries that need a high level of safety and efficiency in handling heavy items. The Company's biggest management challenge continues to be to always look at problems from the customer's perspective on-site for those in material handling around the world, making new proposals, earning the trust of the market by providing products and services that achieve those proposals, and becoming "the world's best hoist manufacturer" by supporting the conduct of safe and productive activities in society by customers and adding value to society. The Company has as its corporate mission, "KITO's Mission: Deliver Unmatched Satisfaction to Our Customers", "KITO's Quality: Our Driving Spirit" is "Quality", "KITO's Innovation: Change and Challenge Always", and "Value of KITO People: Integrity, Honesty Pride and Gratitude." Based on this, the Company is achieving support for safe and efficient social activities by providing high quality products and services from the customer's point of view and is aiming for corporate management that earns the trust of society while building relationships with shareholders, investors and all stakeholders in the Company Group.

(Note) "Material handling devices" means chain blocks, lever blocks, rope hoists, cranes, and other handling devices used to make the storage, transportation, and immobilizing of heavy items and other logistics business more efficient.

After its founding, the Company carried out an entity conversion to a limited partnership company in June 1937, and then in July 1944, it both carried out an entity conversion to a joint stock company and changed its trade name to Kito Kousa Kiki Kogyo Co., Ltd. It changed its trade name to The KITO Manufacturing Company in November 1945, and then changed its trade name to the current KITO CORPORATION in November 1970. Thereafter, it listed its shares as over-the-counter registered stock with the Japan Securities Dealers Association in October 1980. Since then, the Company's earnings and profits continued to trend upwards and it expanded the size of its business, but with a prolonged domestic economic slowdown in Japan after the collapse of the 1990's bubble economy and difficult financial circumstances, the Company aimed for an overseas expansion centered on the U.S. and a fundamental reform of its financial footing. In July 2003, with the backing of the Carlyle Group, a private equity fund headquartered in the U.S., the company announced a management buyout, which involved execution of a tender offer for the Company Shares by Carlyle Japan Holdings 3 Co., Ltd. ("CJP3"), wholly owned by Carlyle Group, a share exchange for cash consideration, and an absorption-type merger that made the Company the surviving company and CJP3 the disappearing company, and which led to the delisting its shares as over-the-counter registered stock in October 2003. After de-listing, in collaboration with Carlyle Group, the

## ***News Release (6409 TSE)***

Company on the one hand developed a swift decision-making system and strengthened its business foundation, and as one aspect of strengthening the management of its overseas businesses, worked to strengthen and expand its overseas business primarily in the US and China markets, strengthen its finances, and execute mergers and acquisitions transactions to divest unprofitable businesses and acquire or form business alliances, etc. with local companies overseas. As a result, it built a strong base for business growth, as compared to the Company's sales of JPY 20,759 million and operating profit of JPY 1,002 million in the fiscal year to March 2003 before the de-listing, both sales and operating profit grew to JPY 24,244 million yen and 3,207 million yen, respectively, in the fiscal year to March 2007 after the de-listing of the Company Shares but before their re-listing on a financial instrument exchange market. Thereafter, in order to achieve the Company's own target of becoming "the world's best hoist manufacturer," and given the equity funding needs to invest in growth and the fact that the Company had built a framework to seek to stabilize its business and finances and make possible realization of sustainable income and expenditures as a result of a series of structural reforms, to secure access to the stock market, gain societal trust and further raise brand awareness, the Company listed on the first section of the market established by TSE in August 2007. As of today, based on restructuring of the market divisions of the TSE, the Company is listed on the Prime Market, a new market segment of the TSE.

As of today, the Company Group's primary business is the development, manufacture and sales of material handling equipment such as hoists, cranes and peripheral devices.

Based on the aforementioned management policy, in its five-year medium-term management plan from the fiscal year to March 2017 until the fiscal year to March 2021, the Company aimed for further expansion of the scale of profits, listing a return to high profitability, an expanded product portfolio, and conversion to a global organization. Some success was achieved towards these goals, and the Company achieved its highest sales figure yet in the fiscal year to March 2022. However, there was also an impact from external factors such as weakened demand for material handling devices, which was affected by the slowdown in capital expenditure in automobile-related industries, etc. due to the extended COVID-19 pandemic, with the actual value of EBITDA for the fiscal year to March 2021, which had been targeted to double to JPY 13 billion in five years, being JPY 7.5 billion, and as a result the Company was not able to achieve the targeted expansion of the scale of profits. Going forward, in addition to steadily capturing the increase in demand resulting from a return to economic activity as the COVID-19 pandemic subsides, the Company is aware of the urgent task of secure profitability growth exceeding the cost increases resulting from personnel expenses and raw materials prices affected by inflation pressures and soaring transportation expenses and the like, and of achieving profit growth through

## ***News Release (6409 TSE)***

expansion of its Europe business.

In the medium term, the Company believes that in order to achieve further growth globally in the hoist and crane industry in which the Company operates, it is essential for it to win greater business in the material handling field in which the Company has a strong position, and maximize added value for customers by expanding the product line up and fields of services. Based on the ongoing hoist and crane industry changes and accelerating moves by the Company's competitors to peripheral businesses, in order for the Company group to raise its overall business to the next stage without being buffeted by the business environment or social circumstances and to ensure medium and long-term growth, the Company understands the current circumstances to require agile and rapid expansion of its business domain through decisive management actions and bold investments in resources.

Given these management challenges and business environment, the Company has considered various management strategies the Company could take to enhance corporate value, and among those, has heretofore repeatedly considered measures with respect to a business alliance or a business integration, and as one aspect of that, an M&A transaction, with a partner who will promote globalization of the business and organization and who will supplement expansion of the product lineup.

### (b) Background to formulation of examination framework

Given this situation, as described in the section above titled "(ii) Background, purpose, and decision-making process leading to the decision by Offerors to conduct the Tender Offer," since early June 2021, the Company's senior management team and Crosby held repeated discussions aimed at realizing the enhancement of the corporate value of both companies, and then in October 2021, the Company appointed the law firm Nishimura & Asahi as legal counsel independent from the Offerors, KKR, and the Company and from the success or failure of the Business Combination (including the Transactions), and began consultations on a response to the discussions with the Offerors. Then, on February 14, 2022, in order to achieve a business combination of the Company and Crosby Group, Crosby communicated to the Company the formal Letter of Intent regarding implementation of the Business Combination, its intention of wishing to commence substantive examination of the Business Combination, together with the background leading to the proposal of the Business Combination and the purpose and intentions behind the Business Combination. In response to receiving the Letter of Intent, in order to seriously examine the Business Combination, including the Transactions, in mid-February 2022 the Company appointed Nomura Securities, Co., Ltd. ("Nomura Securities") as a financial adviser independent from the Offerors, KKR, and the Company and from the success or failure of the Business Combination (including the Transactions), embarked on an examination aimed at growth in competitiveness in the global market and the scale of profits over the longer term through corporate

## ***News Release (6409 TSE)***

reorganization, and conducted a careful examination from the perspective of the interests of stakeholders to various ways in which the corporate value of the Company can be enhanced, including by a business combination by means of privatization or reorganization through a tender offer.

The Business Combination (including the Transactions) does not constitute a transaction, etc. with a controlling shareholder, but from the perspective of exercising the utmost care to ensure the fairness of the Transactions, based on the advice of Nishimura & Asahi, the Company immediately formulated a framework for examining and determining whether to proceed with the Business Combination (including the Transactions) and the appropriateness of its transaction terms and conditions and the fairness of procedures from the perspective of seeking enhancement of corporate value and benefiting general shareholders independently from the Offerors, the Company and the success or failure of the Business Combination (including the Transactions). Specifically, at a board of directors meeting of the Company held on February 21, 2022, along with resolving to create a special committee comprised of three of the Company's outside directors Katsumi Nakamura, Takashi Hirai, and Koji Osawa, the Company's board of directors resolved to pay maximum respect to the findings of the special committee, including on whether to approve or disapprove the Tender Offer, when making decisions regarding the Business Combination (including the Transactions), and if the special committee were to determine that the transaction terms and conditions of the Business Combination (including the Tender Offer) are not appropriate, the Company's board of directors resolved not approve the Business Combination (including the Tender Offer). As noted in the section below titled "(i) Establishment of an independent special committee at the Company" under "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest", as well as approving the appointment of Nomura Securities as the Company's financial advisor and third-party appraiser and the appointment of Nishimura & Asahi as the Company's legal advisor upon confirming their independence, expertise, and track record, etc., the Company also appointed the law firm Anderson Mori & Tomotsune as independent legal advisor to the special committee upon confirming their independence, expertise, and track record, etc.

Please refer to the section below titled "(i) Establishment of an independent special committee at the Company" under "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest" for details regarding the background to the establishment, etc. of the special committee, its structure, process for examination, and details of decisions, etc.

(c) Background of examination and negotiations

Having formulated the examination framework described in (b) above, the Company received a report on results of the valuation of the Company

## ***News Release (6409 TSE)***

Shares, advice on the negotiation stance with the Offerors, and other advice from a financial perspective from Nomura Securities, and received guidance and other legal advice from Nishimura Asahi on ensuring the fairness of the procedures for the Business Combination (including the Transactions), and based on this, the company conducted a careful examination of whether to proceed with the Business Combination (including the Transactions) and the appropriateness of the transaction terms and conditions.

Since mid-April 2022, the Company has held repeated consultations and negotiations with Crosby regarding the implementation of the Transaction, transaction terms including details of the transaction structure, and the management and business operation plan after the Business Combination. Specifically, on April 27, 2022, as a result of due diligence conducted on the Company from mid-March 2022 through the beginning of April 2022, the Company received the First Proposal from Crosby after it comprehensively considered whether the Company's board of directors would endorse the Tender Offer and the prospect of the shareholders accepting the Tender Offer, etc. In the First Proposal, there was no specific proposal for the Stock Acquisition Rights Tender Offer Price because the Tender Offer Price was proposed on a fully diluted basis assuming all Stock Acquisition Rights have been fully exercised (i.e., the total number of shares is 20,724,019 shares).

On May 2, 2022, after the submission of the First Proposal, Crosby received a request from the Company to raise the Tender Offer Price to JPY 3,000 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee. Crosby also received a request to submit the Stock Acquisition Rights Tender Offer Price.

After receiving the request from the Company, Crosby examined raising the price, and on May 5, 2022 submitted the Second Proposal, which is a non-binding proposal.

On May 10, 2022, after the receipt of the Second Proposal, Crosby received a request from the Company to raise the Tender Offer Price to JPY 2,900 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee.

After receiving the request from the Company, Crosby examined raising the price, and on May 10, 2022 submitted the Third Proposal, which is a non-binding proposal.

On May 11, 2022, after the receipt of the Third Proposal, Crosby received another request from the Company to raise the Tender Offer Price to JPY 2,900 on the basis that the Tender Offer Price did not sufficiently reflect the corporate value of the Company in light of consultation with the special committee.

On receiving the request from the Company, on May 13, 2022, Crosby submitted the Fourth Proposal, which is a non-binding proposal, and the Company reached the conclusion that that price was also appropriate from the

## ***News Release (6409 TSE)***

perspective of the interests of minority shareholders. The Company accepted the Tender Offer Price in the Fourth Proposal on the condition that Crosby will make a binding proposal with a Tender Offer Price of JPY 2,725.

As a result of this response by the Company, on May 14, 2022, Crosby submitted a final binding proposal, proposing the Tender Offer Price of JPY 2,725 and the Stock Acquisition Rights Tender Offer Price of the amount found by multiplying the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right multiplied by the 200 Company Shares that underlie each such Stock Acquisition Right. In response, after consultation with the special committee, on the same date, because the Company agreed with Crosby on the approach that the best method of realizing a quick response to the changes in the business environment facing the Company and contributing to the enhancement of the Company's corporate value would be to implement the Business Combination by making the Offeror the sole shareholder of the Company and de-listing the Company Shares, it accepted the content of that final proposal.

Based on the background set forth above, at the board of directors meeting of the Company held today, a resolution was made that if the Tender Offer commences, the position of the company as of this date is that it will declare a position in support of the Tender Offer and that it will recommend that the Company's shareholders and Stock Acquisition Right Holders accept the Tender Offer.

In the process of the aforementioned examinations and negotiations, the Company has continually reported important matters to the special committee, and where necessary has received its approval. Specifically, the special committee has confirmed and approved the reasonableness of the content, material conditions precedent, and background to its preparation, etc. of the Business Plan (defined below in the section below titled "(ii) Outline of the Calculations" under "(3) Calculations"); same hereinafter) that forms the basis of the valuation of the Company Shares by Nomura Securities and that was presented to Crosby. Furthermore, in negotiating with Crosby, the Company has handled these negotiations based on the negotiation stance discussed and determined by the special committee in advance, and when proposals were received from Crosby regarding the Tender Offer Price and Stock Acquisition Rights Tender Offer Price, these were each reported immediately to the special committee and handled based on the special committee's opinions.

Finally, the Company has today received from the special committee the Report to the effect that (a) the Business Combination (including the Tender Offer) will contribute to enhancement of the corporate value and that purpose can be found to be reasonable, (b) the terms and conditions of the Transactions (including the Tender Offer) can be found to be appropriate, (c) the fairness of procedures pertaining to the Business Combination (including the Tender Offer) can be found to be assured, (d) based on (a) through (c)

## ***News Release (6409 TSE)***

above, it can be found that the Business Combination is not disadvantageous to general shareholders of the Company, and (e) it concludes that it is appropriate for the Company's board of directors to resolve to declare a position in support of the Tender Offer and to recommend that the Company's shareholders and Stock Acquisition Right Holders accept the Tender Offer, at the time of the announcement of the Tender Offer. (Please refer to the section below titled "(i) Establishment of an independent special committee at the Company" under "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest" for an outline of the Report.)

(d) Decision details

Based on the background set forth above, at the meeting of the board of directors of the Company held today, the Company carried out a careful discussion and examination of whether the Business Combination (including the Tender Offer) will contribute to enhancement of the corporate value of the Company and whether the terms and conditions (including those agreed to in the Business Combination Agreement) pertaining to the Transactions (including the Tender Offer Price) are appropriate, which while based on legal advice received from Nishimura & Asahi, advice received from a financial standpoint from Nomura Securities, and the content of the share valuation report it provided on May 16, 2022 concerning the results of the valuation of the Company Shares (the "Share Valuation Report"), paid maximum respect to the findings of the special committee presented in the Report.

As a result, the Company came to understand that (i) the realization of the synergies set forth in the section above titled "(ii) Background, purpose, and decision-making process leading to the decision by Offerors to conduct the Tender Offer" could be expected from Crosby Group and the Company integrating their respective management resources and utilizing the business know-how, etc. that is each other's strong point, and that (ii) the Business Combination Agreement that sets forth the business operations and management structure of the Company and the Offerors after the Tender Offer should be executed with the intention of the Offerors and the Company coming together as one to conduct business operations and quickly realize synergies with a sense of speed after the Offeror makes the Company its subsidiary through the Tender Offer.

By de-listing the Company Shares, the Company will no longer be able to raise funds from capital markets through equity financing, and it will lose the benefit it has enjoyed as a listed company to date, namely the enhanced social credibility that comes with being a listed company. However, considering the current financial condition of the Company and the recent low interest rate environment for indirect financing among other factors, the Company believes that there is a limited need to continue to maintain the listing of the Company Shares in the future since, for the time being, there is not a great need for equity financing, the Company's brand power and social

## ***News Release (6409 TSE)***

credibility are being acquired and maintained through business activities in most respects, and, on the hiring side, it is not necessarily the case that being a listed company is a wellspring for personnel procurement.

Based on the foregoing, the Company reached the conclusion that, for the Company as well, executing the Business Combination Agreement, which sets forth the policy for business operations after the Business Combination, between the Company, Crosby US, Crosby UK, and HoldCo and then implementing the Business Combination can be expected to create the synergies set forth in the section above titled “(ii) Background, purpose, and decision-making process leading to the decision by Offerors to conduct the Tender Offer,” and contribute to the enhancement of the Company’s corporate value.

In addition, in consideration of the circumstances set forth in the following items, etc., the Company decided that the Tender Offer Price of JPY 2,725 per share is an appropriate price that ensures the benefits that should be enjoyed by the Company’s general shareholders and that the Tender Offer provides a reasonable opportunity for the Company’s general shareholders to sell the Company Shares at a price with an appropriate premium.

- a. The Tender Offer Price is a price that was agreed to after sufficient negotiations were held repeatedly between the Company and Crosby after the Company took sufficient measures to ensure the fairness of the terms and conditions for the Transactions (including the Tender Offer Price) set forth in the section below titled “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest”;
- b. The Tender Offer Price was decided to be appropriate in the Report obtained from the special committee, as set forth in the section below titled “(i) Establishment of an independent special committee at the Company” under “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest”;
- c. The Tender Offer Price is a price that respectively adds a premium of 64.26% (rounded to two decimal places; the same applies hereinafter for the percentage values of premiums on share prices) to the closing price of JPY 1,659 of the Company Shares on the Prime Market of TSE on May 13, 2022, which is the business day preceding the announcement date of the Transactions, 63.08% to the simple average closing price over the preceding one-month period until May 13, 2022 of JPY 1,671 (rounded to two decimal places; the same applies hereinafter for the calculation of simple average closing prices), 61.06% to the simple average closing price over the preceding three-month period until May 13, 2022 of JPY 1,692, and 54.67% to the simple average closing price over the preceding six-

## ***News Release (6409 TSE)***

month period until May 13, 2022 of JPY 1,762, and when compared to the premium levels in 13 deals (excluding MBO deals, and deals where a certain capital relationship between the offeror and the target company exist) announced on or after June 28, 2019 in which a domestic listed company was made a wholly owned subsidiary through a tender offer and squeeze-out procedure without a maximum limit (the median and average premium on the simple average on the business day preceding the announcement date (44.58%, 50.97%), the median and average premium on the simple average closing prices over the preceding one-month period (41.67%, 49.63%), the median and average premium on the simple average closing prices over the preceding three-month period (41.69%, 52.19%), and the median and average premium on the simple average closing prices over the preceding six-month period (32.52%, 51.67%), and in comparison with such other deals, it can be found that the premium secured in the Tender Offer is not inferior to that of other deals and the level of the Tender Offer Price can be said to be reasonable; and

- d. Out of the results of the valuation of the Company Shares by Nomura Securities set forth in the section below titled “(3) Calculations,” the Tender Offer Price is a level that is above the upper limit of the range based on the average market price analysis method and falls within the range based on the comparable company analysis method and the discounted cash flow analysis method (“DCF analysis”).

Similarly, the Company also decided that the Tender Offer provides a reasonable opportunity for the Company’s Stock Acquisition Right Holders to sell their Stock Acquisition Rights because the Stock Acquisition Rights Tender Offer Price is also calculated based on the amount found by multiplying the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right by the number of Company Shares that underlie each such Stock Acquisition Right (200 per stock acquisition right).

Therefore, the Company decided that the Business Combination (including the Transactions) would contribute to enhancing the corporate value of the Company and that the terms and conditions for the Transactions (including the Tender Offer Price) are appropriate, and at the meeting of the Company’s board of directors held today, it was resolved both to approve execution of the Business Combination Agreement, and that if the Tender Offer is commenced, the position of the Company as of this date is that it will declare a position in support of the Tender Offer and that it will recommend that the Company’s shareholders and Stock Acquisition Right Holders accept the Tender Offer.

In addition, at the aforementioned board of directors meeting it was additionally resolved that when the Tender Offer commences, the special

## **News Release (6409 TSE)**

committee established by the Company will be asked to review whether or not there is any change to the contents of the Report, and if there is no change, state this fact to the Company's board of directors, and if there is a change, to state a position after the change, and based on such position, the Company will again publish its position on the Tender Offer when the Tender Offer commences. Please see the section below titled "(v) Approval of all directors and opinion of all auditors that there is no objection at the Company" under "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest" for the details of the process of decision making at the Company's board of directors.

### (3) Calculations

#### (i) Name of appraiser and relationship to the Company and the Offerors

When examining, negotiating, and deciding on the appropriateness of the terms and conditions of the Transactions (including the Tender Offer Price), in order to ensure the fairness of those transaction terms and conditions, the Company asked Nomura Securities, a financial advisor and third-party appraiser that is independent from the Offerors, KKR, the Company and the success or failure of the Business Combination (including the Transactions) for a share valuation report with a financial analysis, and on May 16, 2022, the Company received the Share Valuation Report.

Nomura Securities is not a related party of the Offerors, KKR, or the Company, and has no material interest in the Business Combination (including the Tender Offer).

Fees received by Nomura Securities in connection with the Business Combination (including the Transactions) include a success fee payable on the condition of completion of the Tender Offer. The Company has appointed Nomura Securities as its financial advisor and third-party appraiser using the aforementioned fee structure having determined that, if general practices for similar transactions and also the appropriateness of a fee structure that would generate a considerable financial burden on the Company in the event that the Transaction does not close, etc. are considered, it is not as though independence can be ruled out by the inclusion of a success fee payable on condition of closing of the Tender Offer.

#### (ii) Outline of calculations

##### (a) Outline of the calculations regarding the Company Shares

Nomura Securities calculated the share value of the Company using the average market price analysis method given that the Company is listed on the Prime Market of the TSE which provides market pricing, using the comparable company analysis method given that there are several listed companies that engage in businesses that are relatively similar to the Company's and an analogy of share prices by comparison with similar

## **News Release (6409 TSE)**

companies is possible, and using discounted cash flow analysis in order to reflect the impact of future business activities on the valuation. The Company has not obtained an opinion on the fairness of the price of the Tender Offer (a fairness opinion) from Nomura Securities. In terms of the reason for not acquiring a fairness opinion, the function of a fairness opinion is to prevent managers and major shareholders, who typically have an information advantage, from exploiting the asymmetry of information to acquire shares of a target company from general shareholders at less than fair value, but in this matter the Tender Offer is being implemented for the purpose of a business combination with a third party and the circumstances are different from an ordinary MBO or the like, so the Company decided that rather than separately acquiring a fairness opinion, it could be addressed by granting a certain premium on the current share price based on a share valuation by a third-party assessment body.

The Share Valuation Report sets out a range of values for one share of the Company Shares based on each of the above calculation methods, as follows:

Average market price analysis:	Between JPY 1,647 and JPY 1,762
Comparable company analysis:	Between JPY 2,052 and JPY 3,196
DCF analysis:	Between JPY 1,886 and JPY 3,974

Under the average market price analysis method, the valuation date for calculation is set to May 13, 2022, the business day preceding the announcement date of the Tender Offer, and the per share value of one share the Company Shares is calculated to be in a range between JPY 1,647 and JPY 1,762 based on the TSE Prime Market valuation date closing price for the Company's shares of JPY 1,659, the simple average of the closing prices during the immediately preceding five business days, equal to JPY 1,647, the simple average of the closing prices during the immediately preceding one month, equal to JPY 1,671, the simple average of the closing prices during the immediately preceding three months, equal to JPY 1,692, and the simple average of the closing prices during the preceding six months, equal to JPY 1,762.

Under the comparable company analysis method, the per share value of the Company Shares is calculated to be in a range between JPY 2,052 and JPY 3,196 by calculating the Company's share value through a comparison with the market share price and financial statements showing earnings, etc. of listed companies engaged in businesses determined to be comparable to the Company.

Under the DCF analysis, the share value per one share is calculated to be in a range between JPY 1,886 and JPY 3,974 by valuing enterprise value and share price derived from the discounted present value of the forecast free cash flow expected to be generated by the Company from the fiscal year ending March 2023 onwards, taking into consideration assumptions

## ***News Release (6409 TSE)***

considered to be reasonable such as profit forecasts and investment plans based on financial forecasts for the fiscal years ending March 2023 to March 2027 as prepared by the Company (the “Business Plan”). Given the difficulty at this point of concretely forecasting expected synergies from the Business Combination (including the Transactions), these have not been included in the Business Plan. In the Business Plan on which the DCF analysis is based, there are no fiscal years in which significant year-on-year increases or decreases are forecast.

As noted in the section below titled “(i) Establishment of an independent special committee at the Company” under “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest,” the special committee has received an explanation from the Company on the assumptions set in formulating the financial forecasts and conditions that form the basis of the Business Plan and has conducted a Q&A on these assumptions and values, and has not found any points to be particularly unreasonable. The special committee has confirmed that these calculation methods and calculation outcomes are reasonable.

Note: Nomura Securities, has calculated the share value of the Company Shares on the assumption that all of the information either publicly available or provided to Nomura Securities is accurate and complete, and has not conducted any independent investigations to verify the accuracy or completeness thereof. Nomura Securities has not independently appraised, valued or investigated the assets and liabilities of the Company including any analysis and valuation of individual assets and liabilities (including financial derivatives, off-balance sheet assets and liabilities, and other contingent liabilities), and no third party has been requested to make any appraisal or investigation thereof. The Company’s financial forecasts (including profit forecasts and other information) are assumed to be reasonably considered and prepared based on the best and good faith forecasts and decisions of the Company’s management at this point in time. Nomura Securities’ calculations reflect information and economic conditions obtained by Nomura Securities up to May 13, 2022, and are prepared for the sole purpose of providing a reference to the board of directors of the Company in examining the share value of the Company Shares.

(b) Outline of the calculations regarding the Stock Acquisition Rights

Since the offer price for the Stock Acquisition Rights has been calculated based on the amount found by multiplying the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right by the number of Company Shares that underlie each such Stock Acquisition Right (200 per stock acquisition right), it was determined that the Tender Offer provides a reasonable opportunity for all

## ***News Release (6409 TSE)***

Stock Acquisition Right Holders to sell their Stock Acquisition Rights.

The Offeror has not obtained a calculation report from the third-party appraiser when determining the Stock Acquisition Rights Tender Offer Price, as it is based on the Tender Offer Price.

(4) Expected delisting and reasons therefor

As of today the Company Shares are listed on the Prime Market of the TSE. However, since the Offeror has not set a limit on the maximum number of share certificates, etc. to be purchased in the Tender Offer, depending on the results of the Tender Offer, it is possible that the Company Shares will be delisted through prescribed procedures in accordance with the stock delisting criteria of the TSE. Also, in the event that the Tender Offer is concluded, even if the delisting standards are not met, the Offeror plans to thereafter own all of the Company Shares in accordance with applicable laws and regulations and the procedures stated below in the section titled “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition”),” so in that case, the Company Shares will be delisted after going through prescribed procedures in accordance with the stock delisting criteria. If the Company Shares are delisted, it will no longer be possible to trade them on the Prime Market of the TSE. For details regarding the reasons for aiming for de-listing, the impact on general shareholders and approaches thereto, see the section above titled “(d) Decision details” under “(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer” of “(2) Grounds and reasons for the position regarding the Tender Offer.”

(5) Policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition”)

We are informed that if the Tender Offer has been successfully completed, but the Offeror is unable to acquire all of the Company Shares and all of the Stock Acquisition Rights through the Tender Offer, then the Offeror intends to make the Company a wholly-owned subsidiary of the Offeror by some method after conclusion of the Tender Offer, as described in the section above titled “(i) Summary of the Tender Offer” under “(2) Grounds and reasons for the position regarding the Tender Offer”.

(i) Demand for the Sale of Shares, Etc.

If the total number of voting rights represented by shares owned by the Offeror is equal to or exceeds 90% of the total number of voting rights of all shareholders of the Company after conclusion of the Tender Offer, we are informed that the Offeror intends to demand, promptly after the settlement of the Tender Offer, that all shareholders of the Company (excluding the Offeror and the Company) (“Selling Shareholders”) sell all of the Company Shares that they own (“Shares to be Sold”) to the Offeror (the “Demand for the Sale of Shares”) and demand that all of the holders of the Stock Acquisition Rights

## ***News Release (6409 TSE)***

(excluding the Offeror) (the “Selling Stock Acquisition Right Holders”) sell all of the Stock Acquisition Rights that they own (“Selling Stock Acquisition Rights”) to the Offeror (the “Demand for the Sale of Stock Acquisition Rights”; together with the Demand for the Sale of Shares, the “Demand for the Sale of Shares, Etc.”), pursuant to the provisions of Article 179, Paragraphs 1 and 2 of the Companies Act. In the event of a Demand for the Sale of Shares, the Offeror intends to stipulate that each of the Selling Shares owned by the Selling Shareholders will be exchanged for cash in an amount equal to the Tender Offer Price, and in the event of a Demand for the Sale of Stock Acquisition Rights, the Offeror intends to stipulate that each of the Selling Stock Acquisition Rights owned by the Selling Stock Acquisition Right Holders will be exchanged for cash in an amount equal to the Stock Acquisition Rights Tender Offer Price. In such an event, we are informed that the Offeror will notify the Company of the Demand for the Sale of Shares, Etc. and seek the Company’s approval thereof. We are informed that if the Company approves the Demand for the Sale of Shares, Etc. by a resolution of the board of directors, then, in accordance with the procedures provided for in relevant laws and regulations and without requiring the individual consent of the Selling Shareholders and the Selling Stock Acquisition Right Holders, the Offeror will acquire all of the Selling Shares from the Selling Shareholders and all of the Selling Stock Acquisition Rights from the Selling Stock Acquisition Right Holders on the acquisition date stipulated by the Demand for the Sale of Shares, Etc. In this case, we are informed that the Offeror will deliver an amount of cash consideration per Company Share equal to the Tender Offer Price to each Selling Shareholder and an amount of cash consideration per unit of the Stock Acquisition Right equal to the Stock Acquisition Rights Tender Offer Price to each Selling Stock Acquisition Right Holder in exchange for the Company Shares owned by the Selling Shareholders and the Selling Stock Acquisition Rights owned by the Selling Acquisition Right Holders.

If the Offeror makes a Demand for the Sale of Shares, Etc., the Company intends to approve the Demand for the Sale of Shares, Etc.

As provisions under the Companies Act that aim to protect the rights of minority shareholders in relation to the above, in accordance with Article 179-8 of the Companies Act and other related laws and regulations, it is provided that the Selling Shareholders and the Selling Stock Acquisition Right Holders may file a petition with the court for a determination of the sale price for the Selling Shares and the Selling Stock Acquisition Rights. The sale price for the Selling Shares and Selling Stock Acquisition Rights by this method will be finally determined by the court.

(ii) Share consolidation

If the total number of voting rights represented by shares owned by the Offeror is less than 90% of the total number of voting rights of all shareholders of the Company after the conclusion of the Tender Offer, we are

## ***News Release (6409 TSE)***

informed that the Offeror will request the Company to hold an extraordinary shareholders' meeting at which the following proposals will be submitted (the "Extraordinary Shareholders' Meeting"): (i) to conduct a consolidation of the Company Shares (the "Share Consolidation"), and (ii) to make a partial amendment to the Company's articles of incorporation to abolish the share unit number provisions on the condition that the Share Consolidation becomes effective. We are informed that the Offeror intends to approve each of those proposals at the Extraordinary Shareholders' Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Company will come to own the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting as of the effective date of the Share Consolidation. In such case, if due to the Share Consolidation, there is a number of shares that is a fraction less than one share, the shareholders of the Company holding such fractional shares will receive an amount of cash obtained by selling the Company Shares equivalent to the total number of such fractional shares (if there is a fraction of less than one share in that total number, rounded down to the nearest whole number; the same applies hereinafter) to the Company or the Offeror as per the procedures specified in Article 235 of the Companies Act and other relevant laws and regulations. The sale price of the Company Shares corresponding to that total number of fractional shares will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares owned by each such shareholder, and then it is planned that a petition to the court will be made for permission to purchase such Company Shares on this basis. We are informed that although the ratio of the consolidation of the Company Shares has not been determined as of today, it is intended that the shares of shareholders who did not tender their shares in the Tender Offer (excluding the Offeror and the Company) will be classified as a fraction of less than one share in order for the Offeror to become the sole owner of all of the Company Shares.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders in relation to the Share Consolidation, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one unit as a result thereof, each shareholder of the Company may request that the Company purchase all such shares less than one unit at a fair price, and such shareholders may file a petition to the court to determine the price of the Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. The purchase price per share by this method will be finally determined by the court.

If the Tender Offer has been concluded but the Offeror does not own at least 90% of the number of the voting rights of all shareholders of the Company, and if the Offeror is unable to acquire all of the Stock Acquisition Rights in the Tender Offer and any Stock Acquisition Rights remain

## ***News Release (6409 TSE)***

unexercised, then we are informed that the Offeror plans either to request the Company to implement, or to itself implement, the procedures reasonably required for carrying out the Transactions, such as the acquisition of the Stock Acquisition Rights by the Company or a recommendation by the Company to the holders of the Stock Acquisition Rights to waive their Stock Acquisition Rights.

With regard to the procedures described in (i) and (ii) above, it is possible that, depending on circumstances such as the interpretation of the relevant laws and regulations by authorities, more time may be required or alternative methods may be utilized to implement the procedures. However, even in such a case, the Offeror intends to make the Company a wholly-owned subsidiary of the Offeror by a method whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Company) will ultimately receive cash. The amount of cash paid to such shareholders of the Company is expected to be calculated so that such amount is equal to the amount obtained by multiplying the Tender Offer Price by the number of the Company Shares owned by each such shareholder. If cash is paid to the holders of Stock Acquisition Rights of the Company who did not tender their Stock Acquisition Rights in the Tender Offer, the amount of cash to be paid to each of those holders of the Stock Acquisition Rights is expected to be calculated so that such amount is equal to the amount obtained by multiplying the Stock Acquisition Rights Tender Offer Price by the number of such Stock Acquisition Rights owned by each such holder of the Stock Acquisition Rights. The specific procedures in this case and timing thereof, etc., are expected to be announced promptly by the Company after they are determined upon discussion with the Offeror.

The Tender Offer is not a solicitation for shareholder approval at an extraordinary shareholders' meeting. The Company's shareholders all should confirm the tax implications of accepting the Tender Offer and the various procedures described above with a tax professional on their own responsibility.

- (6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure fairness of the Tender Offer Price and measures to avoid a conflict of interest

As of today, the Offerors do not hold the Company Shares, the Tender Offer does not constitute a tender offer by a controlling shareholder, all or some of the Company's management do not plan to directly or indirectly invest in the Offeror, and the Transactions (including the Tender Offer) do not constitute a so-called management buyout transaction.

Moreover, from the perspective of exercising the utmost care to ensure the fairness of the Business Combination (including the Tender Offer Price), the Company has implemented the following measures. In addition, the following descriptions of measures implemented at the Offerors are based on explanations received from the Offerors.

## ***News Release (6409 TSE)***

- (i) Establishment of an independent special committee at the Company
  - (a) Background to establishment, etc.

As stated above in “(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer” under “(2) Grounds and reasons for the position regarding the Tender Offer,” pursuant to a resolution of a meeting of the board of directors on February 21, 2022, the Company established a special committee composed of three members without an interest in the Offerors, KKR, the Company, or the outcome of the Business Combination (including the Transactions): Katsumi Nakamura, Takashi Hirai, and Koji Osawa (the members of the special committee have been those three persons since it was first established and there has been no change in the members).

Prior to the establishment of that special committee, after receiving the Letter of Intent regarding the Business Combination from Crosby on February 14, 2022, while receiving advice from Nishimura & Asahi in order to build a framework to examine, negotiate, and assess the Business Combination (including the Transactions) from the perspective of enhancing the corporate value of the Company and ensuring the interests of general shareholders of the Company independently from the Offerors, KKR, the Company, and the outcome of the Business Combination (including the Transactions), the Company immediately provided explanations to all of the Company’s independent outside directors including the fact that a Letter of Intent had been received from Crosby and that it is necessary to implement thorough measures to ensure the fairness of the decision-making process for the Business Combination (including the Transactions) when examining and negotiating, etc. the Business Combination (including the Transactions), including the establishment of the special committee. In parallel with this, while obtaining the advice of Nishimura & Asahi, the Company confirmed that the independent outside directors of the Company who comprise the candidates for membership of the special committee were independent and eligible, etc. and that they had no special interest regarding the outcome of the Business Combination (including the Transactions), held discussions with the Company’s independent outside directors, and appointed Katsumi Nakamura, Takashi Hirai, and Koji Osawa as candidate members for the special committee.

Katsumi Nakamura was appointed as the chair of the special committee based on factors such as his holding a position where he is directly involved in management decisions as a member of the Company’s board of directors, his having considerable knowledge regarding the Company’s business, and his expertise and eligibility to examine the Business Combination (including the Tender Offer). Furthermore, members of the special committee are paid only fixed monthly officer compensation irrespective of the outcome of the Business Combination (including the Transactions) or the content of the

## ***News Release (6409 TSE)***

opinion, and the compensation does not include contingency compensation conditioned on an announcement or success, etc. of the Business Combination (including the Transactions).

(b) Background to examination

The Company asked the special committee (i) whether the Business Combination (including the Tender Offer) would serve to enhance corporate value and whether that goal can be found to be reasonable, (ii) whether the appropriateness of the terms and conditions of the Transactions (including the Tender Offer) is ensured (including the Tender Offer Price), (iii) whether the fairness of procedures for the Business Combination (including the Tender Offer) is ensured, (iv) based on (i) through (iii) above, whether it can be concluded that the Business Combination is not disadvantageous for the Company's general shareholders, and (v) whether it can be concluded that it is reasonable for the Company's board of directors to announce a position in support of the Tender Offer and recommend that the Company's shareholders and Stock Acquisition Right Holders tender their shares and acquisition rights in the Tender Offer (the "Inquiry Matters"), and commissioned the committee to report on such matters. The Company's board of directors has resolved to give maximum deference to the details of the special committee's judgment when the Company's board of directors makes a decision regarding the Business Combination (including Tender Offer), and to not support the Business Combination (including the Tender offer) if the special committee judges that the transaction terms and conditions of the Business Combination (including the Tender Offer) are not appropriate. In addition, pursuant to the board of directors' resolution regarding the establishment of the special committee, the Company's board of directors granted the special committee (x) authority to appoint the special committee's financial advisor, third-party appraiser, and legal advisor ("Advisors, etc.") or to nominate or approve (including after-the-fact approval) the Company's Advisors, etc. as the special committee's Advisors, etc., (y) authority to require the Company's directors, employees, or any other parties deemed necessary by the special committee to attend a meeting of the special committee and to demand explanations of necessary information, and (z) authority to be substantively involved in the negotiation process for the Transactions' terms and conditions by means such as confirming in advance the negotiation policy of the Company for the transaction terms and conditions, etc. for the Business Combination (including the Tender Offer), receiving timely reports on the status of negotiations, stating its opinion on important aspects, and issuing directions and making requests.

From February 22, 2022 to May 14, 2022, the special committee held a total of 15 meetings and discussed and studied the Inquiry Matters. Specifically, in early March 2022, the special committee confirmed that

## ***News Release (6409 TSE)***

as there were no issues with the expertise and independence of Nomura Securities appointed by the Company as its financial advisor and third-party appraiser and Nishimura & Asahi appointed as the Company's legal advisor, the special committee had no objection to the Company receiving expert advice from these advisors. Based on examination of the independence, expertise, and track record, etc. of multiple candidate legal advisors, in early March 2022 the special committee appointed Anderson Mori & Tomotsune as its own legal advisor independent from the Offerors, KKR, the Company, and the Business Combination (including the Transactions). Additionally, the special committee approved the Company's directors involved in examining, negotiating, and determining the Business Combination after confirming that they have no issues in terms of having interests in the Offerors, KKR, the Company, and the outcome of the Business Combination (including the Transactions). As there were no issues with either the expertise or independence of Nomura Securities appointed by the Company as its financial advisor and third-party appraiser, it was confirmed that a separate financial advisor and third-party appraiser other than Nomura Securities would not be appointed solely for the special committee.

Subsequently, based on materials submitted by the Company, the special committee received explanations from the Company of the content of Crosby's proposal, the purpose and reasons for implementing the Business Combination (including the Transactions), the effect of the Business Combination (including the Transactions) on the Company's corporate value, the matters that the Company would request of Crosby when implementing the Business Combination (including the Transactions), the formulation process and plan content of the Business Plan (including its rationality and preparation background), the terms and conditions of the Business Combination (including the Transactions) and the decision-making process therefor, and the disclosed documents, etc. pertaining to the Business Combination (including the Transactions), and conducted Q&As regarding the same. By sending questionnaires to KKR and Crosby on March 25, 2022 and April 14, 2022 and interviewing Crosby and KKR on April 22, 2022, the special committee confirmed matters such as the overview of the business of Crosby and KKR and their awareness of the Company's operational challenges/market value, the background leading to the proposal regarding the Tender Offer and the content of the proposal including the anticipated structure, and the effect of the Tender Offer on measures to enhance the Company's corporate value after the Business Combination (including the Transactions).

Based on the advice from a financial perspective received from Nomura Securities, along with deliberating on and examining a negotiation policy to elicit a higher price from Crosby, the Company received a timely report each time that a proposal regarding the tender

## **News Release (6409 TSE)**

offer price was received from the Offerors, and it conducted discussions and negotiations with Crosby regarding the tender offer price such as by deliberating on and examining the policy for negotiations with Crosby based on the advice from a financial perspective received from Nomura Securities. Please see the section above titled “(iii) Background of examinations and negotiations” under “(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer” of “(2) Grounds and reasons for the position regarding the Tender Offer” for details regarding the background to tender offer price negotiations.

Based on the foregoing background, as a result of repeated careful discussion and examination of the Inquiry Matters and pursuant to a unanimous resolution of the special committee, the special committee submitted the Report on the Inquiry Matters with generally the following content to the Company’s board of directors on May 16, 2022.

- (c) Content of determination
  - (A) Content of findings
    - i. The Business Combination (including the Tender Offer) serves to enhance corporate value and that goal can be found to be reasonable
    - ii. The appropriateness of the terms and conditions of the Transactions (including the Tender Offer) can be found to be ensured (including the Tender Offer Price)
    - iii. The fairness of procedures for the Business Combination (including the Tender Offer) can be found to be ensured
    - iv. Based on i. through iii. above, it can be found that the Business Combination is not disadvantageous for the Company’s general shareholders
    - v. It can be found that it is reasonable for the Company’s board of directors to announce a position in support of the Tender Offer and recommend that the Company’s shareholders and Stock Acquisition Right Holders tender their shares and acquisition rights in the Tender Offer
  - (B) Reasons for findings
    - i. Whether the Business Combination (including the Tender Offer) serves to enhance corporate value and whether that goal can be found to be reasonable

Based on the following points, the Business Combination (including the Tender Offer) will contribute to enhancing corporate value and its goals can be found to be reasonable, given that it can be found that (i) the anticipated synergies from the Business Combination are reasonable, there is no conflict or inconsistency between Crosby’s and KKR’s expectations and the Company’s expectations, and implementation of the Business Combination will contribute to resolving the management challenges recognized by the Company, (ii) the details explained as the reasons for using the Business Combination and not another method such as a business

## ***News Release (6409 TSE)***

alliance are reasonable, and it is suitable to use the Business Combination, and (iii) there are no apparent circumstances due to the Business Combination that would be a material impediment to enhancing the Company's corporate value.

- According to the Company, not having been able to realize the targeted expansion of the scale of profits set forth in the medium-term management plan, the Company (i) going forward, in addition to steadily capturing the increase in demand resulting from a return to economic activity as the COVID-19 pandemic subsides, is aware of the urgent task of securing profitability growth exceeding the cost increases resulting from personnel expenses and raw materials prices affected by inflation pressures and soaring transportation expenses and the like, and of achieving profit growth through expansion of its Europe business, and (ii) in the medium term, believes that in order to achieve further growth globally in the hoist and crane industry, it is essential for it to win more business in the material handling field in which the Company has a strong position, and maximize added value for customers by expanding the product line up and fields of services. According to the Company, to do so requires agile and rapid expansion of its business domain through decisive management actions and bold investments in resources. In general terms, it can be concluded that, as a part of the strategy towards resolving such management challenges and the realization thereof, the adoption of a scheme that contributes to measures with respect to a business alliance or a business combination, including an M&A transaction with a partner who will promote globalization of the business and organization and who will supplement expansion of the product lineup, as has been repeatedly considered by the Company, will contribute to enhancement of the Company's corporate value.
- According to Crosby and KKR, the synergies of the Transactions envisaged by Crosby and KKR include: (i) acceleration of growth in both new and existing markets by making the most of geographic complementariness and product complementariness, (ii) the creation of product innovation through expanded investment in product development, market research, and expert knowledge and technology in core areas such as metallurgy and additive manufacturing, (iii) the creation of a single set of best practices and enhancement of worker safety by continuous promotion of the safety culture shared by the Parties, (iv) attraction and retention of the best available talent through expanded and diverse career and development paths for all employees resulting from an increase in new opportunities in all regions following expansion of the size and scope of international rotational assignments and business activities, (v) contributions to local communities in a broader array of areas by expanding investments and policies based on ESG (Environment, Social, and Governance) metrics, (vi) expansion of

## ***News Release (6409 TSE)***

high quality products and solutions to efficiently allow end-users and channel partners to procure from a trusted provider, and (vii) an increase in commitment to the local communities in which the Company Group and Crosby Group operate by expanding opportunities for community service, hiring, and support of causes important to local populations. Furthermore, according to the Company, it can be expected that through the Business Combination, the aforementioned synergies also will be created for the Company as well. No points that are mutually contradictory or points that clearly are objectively false can be found in the details of the aforementioned anticipated synergies, and those details are thought to be reasonable.

- Crosby and KKR have stated that they believe that unrestricted sharing of business information and support of investment in product innovation and intellectual property development would be exceedingly difficult in a minority investment or a subsidiary premised on its shares remaining listed. The determination that the best method of realizing a quick response to the changes in the business environment facing the Company and contributing to the enhancement of the Company's corporate value is to implement the Business Combination by making the Offeror the sole shareholder of the Company and de-listing the Company Shares, and to aim for resolution of management challenges through the Business Combination and not by other methods, is thought to be reasonable.
- According to Crosby and KKR, given that in the Business Combination they do not plan a workforce reduction or acts that risk adversely impacting relationships with the Company's customers, suppliers and other trading partners or otherwise diminishing the Company's corporate value after the Transactions, and that although Holdco's debts (including borrowing from financial institutions related to the Transactions) will be indirectly shared by the Company after the Business Combination, Holdco's debts are not excessively large, no circumstance can be found that would present a material impediment to enhancing the Company's corporate value through the Business Combination.

- ii. Whether the appropriateness of the terms and conditions of the Transactions (including the Tender Offer) is ensured (including the Tender Offer Price)

Based on the following points, premised on the appropriateness of the negotiating circumstances and scheme of the Transactions, etc., it can be found that the Tender Offer Price and the Stock Acquisition Rights Tender Offer Price are appropriate, and that the appropriateness of the terms and conditions of the Transactions (including the Tender Offer) is ensured.

- Looking at the negotiating circumstances for the Tender Offer Price, a final agreement was reached on the Tender Offer Price (JPY 2,725 per

## ***News Release (6409 TSE)***

share) by the Company having obtained from Crosby proposals to raise the offer price 3 times as a result of negotiations with Crosby based also on the committee's request to raise the offer price pursuant to the committee's discussions and examinations and while receiving advice from Nomura Securities, and the Company and Nomura Securities shared with and explained to the committee in a timely manner by email the series of developments in the negotiations. As a result, the final Tender Offer Price was suitably increased from the price originally offered by the Offeror, and it can be found that developments show that the Company negotiated with the aim of conducting the Transactions on terms and conditions that are as advantageous as possible for general shareholders. With respect to this point, the same is true also for the Stock Acquisition Rights Tender Offer Price. Following from the above, it is presumed that the agreement on the Tender Offer Price and the Stock Acquisition Rights Tender Offer Price in the Transactions is the result of negotiations between the Company and Crosby that were based on objective and coherent discussions equivalent to those between parties that are independent also in substance, and no circumstances are found that would call into question the transparency or fairness of the agreement process.

- Preparation of the Business Plan was underway from prior to the possibility of the Transactions' implementation being concretely confirmed, no fact can be found of there having been intervening pressure from the Offerors and KKR in that formulation process, and no aspect of its details can be found to be an unreasonable forecast.
- With respect to Nomura Securities' Share Valuation Report, based on interviews, etc. with Nomura Securities, no unreasonable points were found regarding the choice of the average market price analysis method, the comparable company analysis method and the DCF Analysis, as well as the respective calculation method and the basis for calculation, and when studying the share value of the Company Shares, the committee assessed the Share Valuation Report prepared by Nomura Securities as being reliable. Furthermore, the Tender Offer Price of JPY 2,725 per share (i) exceeds the maximum of the range of values per share of the Company Shares calculated by the average market price analysis method, (ii) exceeds the median (JPY 2,624) of the range of values per share of the Company Shares calculated by the comparable company analysis method, and (iii) well exceeds the lower limit and is within the range of values per share of the Company Shares calculated by the DCF Analysis. Moreover, whereas the Tender Offer Price of JPY 2,725 per share adds a premium of 54.65 to 64.26 percent to the closing price of the Company Shares on the TSE up to May 13, 2022 (the closing price as of that day and the average closing prices over the immediately preceding one-, three-, and six-month periods), it can be found that the premium secured in the Tender Offer is not inferior to

## ***News Release (6409 TSE)***

- that of other deals of the same kind. Taking the above into consideration, it cannot be said that the level of the Tender Offer Price is unreasonable.
- It is planned that the Stock Acquisition Rights Tender Offer Price will be the product of the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right multiplied by the number of Company Shares that underlie each such Stock Acquisition Right (200 per stock acquisition right). As set forth above, whereas it can be concluded that it is possible to assess the Tender Offer Price as not being a level that denies the appropriateness of that price, since the Stock Acquisition Rights Tender Offer Price is calculated using the difference between the Tender Offer Price and the exercise price per each Stock Acquisition Right, it can be concluded that it is possible to assess the Stock Acquisition Rights Tender Offer Price also as not being a level that denies the appropriateness of that price.
  - The method of the Transactions may be concluded to be more desirable than, in particular, a corporate reorganization such as a share exchange with shares or the like as consideration, as there are desirable points such as the consideration being easy to understand and having a stable and objective value because the consideration to be received by the shareholders and Stock Acquisition Right Holders is cash, and also the aspect that it is possible to both call for quickly making the Company a wholly owned subsidiary and also to secure the opportunity and time for an appropriate decision based on sufficient information by general shareholders, etc. Furthermore, if money is delivered to shareholders and the Stock Acquisition Right Holders who do not tender in the Tender Offer, it is planned that it will be calculated so as to be the same as the price they would receive if they had tendered in the Tender Offer.
- iii. Whether the fairness of procedures for the Business Combination (including the Business Combination) is ensured
- Based on the following points, in the Transactions, (i) a situation substantially equivalent to a transaction between independent parties has been ensured in the process of formulating the transaction terms, (ii) fairness ensuring measures have been adopted and operated effectively from the perspective of ensuring that general shareholders have an opportunity to make an appropriate decision based on sufficient information, so in conclusion, the fairness of procedures for the Business Combination (including the Tender Offer) has been ensured.
- A special committee has been established comprised of independent outside directors of the Company who are independent from the Offerors, and KKR and from the success or failure of the Transactions, and the special committee is recognized to be functioning effectively as fairness ensuring measures based on its time of establishment, authority, etc.

## ***News Release (6409 TSE)***

- The Company does not have any directors who have a special relationship with the Offerors and KKR, and the Company's board of directors determined that there are no directors who have a special interest in the Transactions. It is expected that a unanimous resolution by all seven directors declaring a position in support of the Tender Offer and that it will be recommend that the Company's shareholders and the Stock Acquisition Right Holders participate in the Tender Offer will be made, and all auditors will state their opinion that they have no objection to making the above resolution. The Company's board of directors also resolved to make a decision on the Transactions that respects, to the maximum extent possible, the decision of the committee and to not agree to the Transactions if the committee decides that the transaction terms are not appropriate. Based on these and other facts, it can be said that in the Company's decision-making process for the Transactions, arbitrariness has been eliminated and fairness, objectivity, and transparency have been ensured.
- The Company is receiving legal advice from the independent legal advisor Nishimura & Asahi, which is independent from the Company, the Offerors, and KKR and from the success or failure of the Transactions. The committee is receiving legal advice from the independent legal advisor Anderson Mori & Tomotsune, which is independent from the Company, the Offerors, and KKR and from the success or failure of the Transactions.
- The Company and the committee have obtained as materials concerning the value of the Company's shares the Share Valuation Report from the third-party appraiser Nomura Securities, which is independent from the Company, the Offerors, and KKR and from the success or failure of the Transactions.
- Since the tender offer period for the Tender Offer is expected to be set for 21 business days, the Tender Offer is a so-called tender offer with prior announcement, and ensuring a certain period until the commencement of the Tender Offer after announcing a series of transaction terms and conditions, including the Tender Offer Price, ensures that all of the Company's shareholders and Stock Acquisition Right Holders have an appropriate opportunity to determine whether to tender in response to the Tender Offer, ensures the opportunity for purchase proposals from Competing Purchase Proposers, and there is no agreement between the Company, the Offerors, and KKR excessively restricting the Company from contacting Competing Purchase Proposers, so a so-called "indirect market check," is recognized where the M&A transaction is executed by creating an environment that allows other potential acquiring parties to make competing proposals after the proposed M&A transaction is announced (note that it is stipulated in the Business Combination Agreement that if the Company withdraws or modifies the Opinion to Support and

## ***News Release (6409 TSE)***

Recommend to Tender and the Business Combination Agreement is terminated, HoldCo, etc. can receive JPY 1,000,000,000, but due to reasons such as the amount being 1.8% of the purchase price (the amount obtained by multiplying the number of share certificates, etc. to be purchased with the Tender Offer Price (JPY 2,725 per share), this cannot be described as an excessive amount, and it does not by its nature substantially have the effect of compelling the Company's shareholders to approve the Transactions, so it can be said to be within a reasonable scope in practice).

- The minimum number of shares to be purchased in the Tender Offer is expected to be set so as to exceed the number corresponding to a so-called "majority of minority," and in order to conclude the Tender Offer, the approval (tendering) of a majority of the number of shareholders who do not have an interest in the Offeror is required, which is recognized to lead to further emphasis on ensuring an opportunity for decisions by general shareholders and contribute to the execution of the M&A transaction on transaction terms favorable to general shareholders to the extent possible.
- In the Transactions, it is expected that there will be full disclosure in each press release of information regarding the details of authority granted to the committee, the background of the review by the committee, the status of the committee's involvement in negotiating transaction terms with Crosby, the details of the Report, and the structure of remuneration for members of the Committee, etc., an overview of the Share Valuation Report, the process leading up to the implementation of the Transactions, the course of negotiations, and the details of the Business Combination Agreement, and it is recognized that the material information is being provided for general shareholders to decide the reasonableness of transaction terms, etc.
- If the Offeror is unable to acquire all of the Company Shares and all of the Stock Acquisition Rights through the Tender Offer, it will make a Demand for the Sale of Shares, Etc. or request the Company to hold an extraordinary shareholders' meeting including submission of a proposal for a share consolidation, and it is clearly expected that if cash is paid to the holders of Stock Acquisition Rights of the Company who did not tender in the Tender Offer, it will be calculated so that they will receive the same price that they would have received if they had tendered in the Tender Offer, that in the case of a Demand for the Sale of Shares, Etc., the right of the shareholders and holders of Stock Acquisition Rights of the Company to file a petition to the courts for price determination is ensured, and that in the case of a share consolidation, the right of the shareholders to request purchase of shares and the accompanying right to file a petition to the courts for price is ensured, and based on this, it is recognized that care is being taken to avoid coercion.

## ***News Release (6409 TSE)***

iv. Whether, based on i. through iii. above, it can be concluded that the Business Combination is not disadvantageous for the Company's general shareholders

Based on the fact that no problems are recognized concerning any of i. through iii. above, the Business Combination is believed not to be disadvantageous for the Company's general shareholders.

v. Whether it can be concluded that it is reasonable for the Company's board of directors to announce a position in support of the Tender Offer and recommend that the Company's shareholders and Stock Acquisition Right Holders tender their shares and acquisition rights in the Tender Offer

Based on the fact that no problems are recognized concerning any of i. through iv. above, it is believed to be suitable for the Company's board of directors to express an opinion in support of the Tender Offer and recommend that the Company's shareholders and Stock Acquisition Right Holders tender in response to the Tender Offer.

(ii) The Company's acquisition of advice from an independent legal advisor

As stated above in "(b) Background to formulation of examination framework" under "(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer" under "(2) Grounds and reasons for the position regarding the Tender Offer," the Company appointed the outside legal advisor Nishimura & Asahi and the Company has been receiving necessary legal advice from that law firm regarding the decision-making process and the decision-making method concerning the Business Combination (including the Tender Offer) and other points to note upon making decisions concerning the Tender Offer in order to ensure transparency and reasonableness in the decision-making process concerning the Business Combination (including the Tender Offer).

Nishimura & Asahi does not constitute an affiliated party of the Offerors, KKR, or the Company and does not have a material interest in the Business Combination (including the Tender Offer). Additionally, at the first meeting of the special committee, the special committee confirmed that there is no issue with the independence of Nishimura & Asahi and approved Nishimura & Asahi as the Company's legal advisor.

(iii) The Company's acquisition of a share valuation report from an independent financial advisor and third-party appraiser

As stated above in "(b) Background to formulation of examination framework" under "(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer" under "(2) Grounds and reasons for the position regarding the Tender Offer," in order to ensure the fairness of the decision-making process regarding the Tender Offer Price offered by the

## ***News Release (6409 TSE)***

Offerors, the Company appointed Nomura Securities as a financial advisor and third-party appraiser independent from the Offerors, KKR, the Company, and the Business Combination (including the Transactions), and along with receiving advice and assistance from a financial perspective including advice on valuation of the Company Shares and the policy for negotiations with the Offerors, the Company obtained the Share Valuation Report dated May 16, 2022. Please see “(i) Name of appraiser and relationship to the Company and the Offerors” under “(3) Matters regarding valuation” above for a summary of the Share Valuation Report.

Nomura Securities does not constitute an affiliated party of the Offerors, KKR, or the Company, and has no material interest in the Business Combination (including the Tender Offer). Additionally, at the first meeting of the special committee, the special committee confirmed that there is no issue with the independence of Nomura Securities and approved Nomura Securities as the Company’s financial advisor and third-party appraiser.

- (iv) The special committee’s acquisition of advice from an independent legal advisor

As stated above in “(b) Background to examination” under “(i) Establishment of an independent special committee at the Company,” the special committee appointed the outside legal advisor Anderson Mori & Tomotsune and is receiving necessary legal advice regarding various procedures for the Transactions, the method and process of deliberations by the special committee pertaining to the Transactions, and other points to note upon making decisions concerning the Tender Offer from that law firm.

Anderson Mori & Tomotsune does not constitute an affiliated party of the Offerors, KKR, or the Company and has no material interest in the Business Combination (including the Tender Offer).

- (v) Approval of all directors and opinion of all auditors that there is no objection at the Company

Based on the content of the Share Valuation Report and the legal advice from Nishimura & Asahi and giving maximum regard to the content of the Report obtained from the special committee, the Company’s board of directors carefully discussed and examined the various terms and conditions concerning the Business Combination (including the Transactions) from the perspective of enhancing corporate value.

Consequently, as stated above in “(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer” under “(2) Grounds and reasons for the position regarding the Tender Offer,” because along with the Business Combination (including the Transactions) being expected to enhance the Company’s corporate value, the Tender Offer Price and other terms and conditions of the Tender Offer constitute an appropriate price that ensures the benefits that should be enjoyed by the Company’s general shareholders and the Tender Offer provides a reasonable opportunity for the Company’s general shareholders to sell their shares at a price with an

## ***News Release (6409 TSE)***

appropriate premium, the Company's board of directors determined that it is appropriate for the Company's general shareholders and that the Tender Offer provides a reasonable opportunity for of the Company's general shareholders to sell their shares.

At the same time, with respect also to the Stock Acquisition Rights Tender Offer Price, because it has been calculated based on the amount found by multiplying the difference between the Tender Offer Price and the exercise price per Company Share for each Stock Acquisition Right by the number of Company Shares that underlie each such Stock Acquisition Right (200 per stock acquisition right), it was determined that the Tender Offer provides a reasonable opportunity for all Stock Acquisition Right Holders to sell their Stock Acquisition Rights.

Therefore, at the meeting of the Company's board of directors held on May 16, 2022, it was resolved that if the Tender Offer is commenced, the position of the company as of this date is that it will declare a position in support of the Tender Offer and that it will recommend that the Company's shareholders and Stock Acquisition Right Holders accept the Tender Offer.

At that meeting of the board of directors, all seven of the Company's directors participated in deliberations and the resolution, and the directors who participated in the resolution unanimously passed the above resolution. Additionally, said meeting of the board of directors was attended by the company's three auditors, and all auditors who attended stated their opinion that they have no objection to making the above resolution.

- (vi) Non-existence of deal protection provisions and other measures to ensure the opportunity for purchase proposals other than the Transactions

The Offerors and the Company have not made any agreement whatsoever, including agreements pursuant to the Business Combination Agreement, with content restricting contact, etc. between parties proposing a competing purchase and the Company, such as agreements including deal protection provisions prohibiting the Company from contacting parties proposing a purchase other than the Offerors ("Competing Purchase Proposer"), they shall not prevent any Competing Purchase Proposer from having the opportunity to make a purchase proposal, and have taken care to ensure the fairness of the Tender Offer.

Additionally, although the minimum tender offer period stipulated by laws and regulations is 20 business days, the Company is informed that the Offerors have made the period 21 business days. The Tender Offer is a so-called tender offer with prior announcement, and ensuring a certain period until the commencement of the Tender Offer after announcing a series of transaction terms and conditions, including the Tender Offer Price, ensures that all of the Company's shareholders and Stock Acquisition Right Holders have an appropriate opportunity to determine whether to tender in response to the Tender Offer, ensures the opportunity for purchase proposals from Competing Purchase Proposers, and therefore aims to ensure the

## **News Release (6409 TSE)**

appropriateness of the Tender Offer Price.

- (vii) Creation of minimum to satisfy the majority of minority condition

As set forth in the section above titled “(i) Summary of the Tender Offer” under “(2) Grounds and reasons for the position regarding the Tender Offer,” we are informed that the minimum number of share certificates, etc. to be purchased in the Tender Offer (13,817,400 shares; ownership percentage: 66.67%) will exceed the number equal to the number of shares (10,363,010 shares; ownership percentage: 50.00%) equal to a majority of the Total Number of Shares After Considering Potential Shares (20,726,019 shares), i.e., a majority of the number of Company Shares owned by shareholders of the Company who do not have an interest in the Offerors or a so-called “majority of minority.” We are informed that the Offeror believes that the Tender Offer, by not being concluded if it does not obtain the support of a majority of shareholders of the Company who do not have an interest in the Offerors, gives serious consideration to the intention of the minority shareholders of the Company.

4. Matters Concerning Tendering in Response to the Tender Offer by the Company’s Shareholders and Material Agreements Pertaining to the Tender Offer

As stated above in the section titled “(2) Grounds and reasons for the position regarding the Tender Offer,” under “3. Details of, Grounds, and Reasons for the Position Regarding the Relevant Tender Offer” as of today, the Company entered into the Business Combination Agreement with HoldCo, Crosby US, and Crosby UK. Under the Business Combination Agreement, the Company has agreed that, until the expiration of the tender offer period, it will maintain the Opinion to Support and Recommend to Tender in the Tender Offer and will not adopt any resolution of its board of directors to withdraw or modify the Opinion to Support and Recommend to Tender in the Tender Offer, on condition that the special committee has submitted to the board of directors of the Company an opinion that it is appropriate for the board of directors to issue the Opinion to Support and Recommend to Tender in the Tender Offer and that such opinion has not been withdrawn or modified.

In addition, under the Business Combination Agreement, the Company and its subsidiaries shall not, directly or indirectly, actively solicit a third party, relating to any proposal for the purchase, merger, demerger, business combination, tender offer or acquisition by other method of stock, business, or assets of the Company or its subsidiaries, or any other transaction that could reasonably be expected to compete or conflict with or otherwise impede or delay the implementation of the Transactions (“Competing Transaction”). If the Company receives any proposal regarding a Competing Transaction or any indication thereto, the Company shall immediately notify HoldCo, Crosby US, and Crosby UK of the details of such proposal or indication, provide other material information regarding such Competing Transaction, and discuss in good faith with HoldCo, Crosby US, and Crosby UK the response to the Competing Transaction, to the extent it is permitted under applicable laws and regulations, etc.

The Company may withdraw or modify the Opinion to Support and Recommend to

## ***News Release (6409 TSE)***

Tender in the Tender Offer if a third party other than Offeror publicly announces or commences a counter tender offer for all shares of the Company or makes any bona fide purchase proposal pertaining to a Competing Transaction, and in each case the board of directors of the Company reasonably determines in good faith after taking into account all relevant factors (including any financing conditions, regulatory approvals, timing, consent or other conditions, as well as deal certainty, potential synergies, and other elements that may be realized through the Business Combination to enhance the corporate value of the Company) and advice from its outside legal advisor, that the failure to take such actions would reasonably be expected to constitute a breach of the Company directors' duty of care. However, it is conditioned that the Company shall, at least three Business Days before a withdrawal or modification of the Opinion to Support and Recommend to Tender in the Tender Offer or entering into a definitive agreement regarding the Competing Transaction, send to HoldCo, Cosby US, and Crosby UK a written notice of intent to take such action(s) together with an outline of the material terms and conditions of the Competing Transaction and the counterparties that proposed the Competing Transaction to provide HoldCo, Crosby US, and Crosby UK with an opportunity to update the Tender Offer, and engage in good faith discussion with HoldCo, Cosby US, and Crosby UK until the earlier of (i) three Business Days after such notice or (ii) five business days prior to the final date of the tender offer period. It is stated that if the Company withdraws or modifies the Opinion to Support and Recommend to Tender in the Tender Offer due to a withdrawal or modification of the special committee's opinion that it is appropriate for the board of directors of the Company to issue the Opinion to Support and Recommend to Tender in the Tender Offer, or in accordance with the agreement on the withdrawal or modification of said Opinion to Support and Recommend to Tender in the Tender Offer, and HoldCo, Crosby US or Crosby UK, or the Company terminates the Business Combination Agreement, HoldCo can receive JPY 1,000,000,000 from the Company.

The Business Combination Agreement provides, including among others, (i) the matters relating to the terms and conditions of the Tender Offer, (ii) the Tender Offer Conditions Precedent, (iii) HoldCo's, Crosby US's, and Crosby UK's obligation to make efforts to obtain the necessary approvals and the Company's obligation to cooperate therewith, (iv) the matters relating to the implementation of the squeeze out and the Merger, (v) the Company Group's obligation to operate their business in the ordinary course of business consistent with past practice until the completion of the Business Combination, (vi) the obligation to provide information of Holdco, Crosby US, and Crosby UK, and the Company, (vii) the obligation of the Company to cooperate with financing, (viii) the Company's obligation to make efforts to obtain consents from the other party to any material contracts that require such consent, (ix) Holdco's, Crosby US's, Crosby UK's, and their affiliates' standstill obligations to the Company Shares, (x) the obligation relating to the prohibition of dividends other than dividends with a record date of March 31, 2022 by the Company, (xi) the Company's obligation to make efforts to take any necessary procedures relating to the labor unions of the Company Group, (xii) the Company's obligation to cooperate in urging the Stock Acquisition Rights held by the Stock Acquisition Rights Holders and shares held by the employee ownership shareholding association and the business partner shareholding association of the

## **News Release (6409 TSE)**

Company to be tendered in the Tender Offer, (xiii) representations and warranties by HoldCo, Crosby US, Crosby UK, and the Company (Note), (xiv) confidentiality obligation, and (xv) the provision pertaining to termination by the HoldCo, Crosby US, and Crosby UK or the Company in the event that the Company withdraws or modifies the Opinion to Support and Recommend to Tender in the Tender Offer, in the event of a breach of representations and warranties or obligations, in the event that a petition for commencement of insolvency proceedings is filed against the other party, or in the event that the Tender Offer is not commenced by March 31, 2023 (“Tender Offer Commencement Deadline”). The Business Combination Agreement also provides that if the necessary approvals under competition laws to complete the Business Combination have not been obtained by the Tender Offer Commencement Deadline, and the Business Combination Agreement is terminated despite other Tender Offer Conditions Precedent being satisfied or waived, the Company can receive JPY 1,000,000,000 from HoldCo unless the Company has breached its obligation to cooperate in obtaining necessary clearances or the termination is attributable to the Company.

In addition to the change of the company name of HoldCo into Kito | Crosby after the completion of the Squeeze-Out Procedures, in summary the following matters relating to the governance and operation of the Combined Company have also been agreed.

(i) Management Principles

To ensure a smooth integration and to maximize the corporate value of the Combined Group, the management of the Combined Group shall be carried out in a spirit of collaboration, with the brands, employees, customers, suppliers, communities, and facilities of Crosby Group and the Company Group being valued equally as “One Company, One Team and One Mission”, and balance a degree of autonomy of the businesses of the Company and the Crosby Group with the coordinated and cohesive management of Kito | Crosby as a whole.

During the first 18 months after completion of the Business Combination (the “Initial Combination Period”), an ELT (as defined below) and the Combined Company’s board will discuss and consider the most appropriate operating structure to ensure a smooth integration and to maximize the corporate value of the Combined Group.

(ii) Company name and Headquarters of the Combined Company

The Combined Company’s trade name shall be Kito | Crosby and its headquarters shall be co-located in the United States and Japan.

(iii) Directors

The Combined Company’s board would be initially a total of nine (9) directors, and three (3) directors shall be nominated by the Company, one (1) director shall be the Group CEO of the Combined Company, and five (5) directors shall be nominated by the shareholders of the Combined Company. The CEO of the Combined Company shall be appointed by the Combined Company’s board of directors.

## ***News Release (6409 TSE)***

The chairperson of the board of directors of the Combined Company shall be appointed from among the directors nominated by the Company. The Chief Operating Officer shall be appointed from among the directors of the Combined Company nominated by the Company during the Initial Combination Period.

(iv) Executive Leadership Team

The Combined Group will form an Executive Leadership Team (the “ELT”). The ELT shall take primary responsibility on matters relating to the business and operation of the Combined Group, and the Combined Group CEO will execute his or her duties in accordance with guidance/instructions from the ELT and the board of directors of the Combined Company. During the Initial Combination Term, the ELT shall comprise the incumbent CEO and COO of the Company and one person designated by the Company, and the incumbent CEO and CFO of the Crosby Group and one person designated by the Crosby Group, and the current CEOs of the Company and the Crosby Group shall be the co-heads.

The responsibilities of the ELT include the following matters relating to the business and operation of the Combined Group.

- (1) organizational design, talent development and material compensation changes;
- (2) value creation plan, strategy and execution;
- (3) integration, prioritization and resourcing;
- (4) commercial and operational escalation;
- (5) capital budgeting and approval, subject to approval by the board of directors of the Combined Company;
- (6) consolidated Annual Operating Plan development and achievement including relevant incentive compensation plans;
- (7) bolt-on M&A sourcing & execution; and
- (8) other material matters relating to the common strategy and leadership regarding the Combined Group.

(v) Divisional Leadership Team

For no less than the first six months after completion of the Business Combination and no longer than the earlier of (a) the end of the Initial Combination Period or (b) the approval of a new organization structure (the “DLT Period”), the Combined Group will form a divisional leadership teams (“DLT”) for a KITO division and a Crosby Group division. Each DLT shall comprise a divisional president and other management, and the Company shall designate the divisional president of the KITO division. The divisional president of the KITO division will be nominated by the Company during the DLT Period.

Each DLT shall be operated based on the annual budget approved by the board of directors of the Combined Company, conduct business operations in accordance with the ideas and strategy of the Combined Group CEO, be

## **News Release (6409 TSE)**

responsible for the operations and strategy of their respective division, and report to the Combined Group CEO.

- (vi) **Matters Requiring Over 75% Approval of the Board of Directors**  
The following matters will require approval by more than 75% of the directors of the board of directors of the Combined Company:
- (1) Discontinuation of the Crosby or the Company principal brand or any material product category
  - (2) Renaming of the Combined Group (Kito | Crosby)
  - (3) Large-scale personnel reorganization
  - (4) Large-scale facility closure
- (vii) **Business Strategy after the Business Combination**  
After completion of the Business Combination, the Combined Group envisions implementing the (a) analysis of product development and production technology, and consolidation of quality standards, (b) improvement of the production system efficiency, (c) expansion of product portfolios and strengthening of customer base, (d) consolidation of personnel and organizational structure to obtain new sales opportunities, organization of new customer interfaces and infrastructure investments, (e) improvement of logistics efficiency, (f) employee development and exchange of personnel, (g) ensuring the financing necessary for investments, and (h) promotion of sustainability.

Note: In the Business Combination Agreement, HoldCo, Crosby US, and Crosby UK represent and warrant (1) the validity of their incorporation and existence, (2) the validity and enforceability of the Business Combination Agreement, (3) the capacity to hold rights necessary for the execution and performance of the Business Combination Agreement, the performance of procedures required by internal rules for the execution and performance of the Business Combination Agreement, and the absence of any conflict with laws and regulations, (4) the absence of transactions or involvement with antisocial forces, and (5) matters relating to financing. In addition, in the Business Combination Agreement, the Company represents and warrants (1) the validity of its incorporation and existence, (2) the validity and enforceability of the Business Combination Agreement, (3) the capacity to hold rights necessary for the execution and performance of the Business Combination Agreement, the performance of procedures required by internal rules for the execution and performance of the Business Combination Agreement, and the absence of any conflict with laws and regulations, (4) the absence of any transaction or involvement with antisocial forces, and (5) the accuracy of the Company's annual securities reports and quarterly reports for the fiscal year ending March 31, 2021 and thereafter.

## ***News Release (6409 TSE)***

5. Details of the Provision of Benefits by the Offeror or its Specially Related Party  
Not applicable.
6. Response Policy Pertaining to the Basic Policy Regarding Control of the Company  
Not applicable.
7. Questions to the Offeror  
Not applicable.
8. Request to Extend the Tender Offer Period  
Not applicable.
9. Future Prospects  
Please see “(ii) Background, purpose, and decision-making process leading to Offerors deciding to implement the Tender Offer,” “(iii) Management policy after the Tender Offer,” and “(iv) Decision-making process and reasons leading to the Company supporting the Tender Offer” under “(2) Grounds and reasons for the position regarding the Tender Offer,” “(4) Expected delisting and reasons therefor,” and “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition)”” under “3. Details of, Grounds, and Reasons for the Position Regarding the Relevant Tender Offer” above
10. Other
  - (1) Release of “Business Results for the Fiscal Year Ending March 2022 (Japanese GAAP) (Consolidated)”  
The Company released the Company’s Business Results today. For details, please refer to the release concerned.
  - (2) Release of “Notice Regarding Distribution of Dividends from Retained Earnings (No Dividend)”  
At the board of directors meeting held today, a resolution was made not to pay dividends from retained earnings on the record date of September 30, 2022 (the end of the second quarter) and not to pay dividends from retained earnings on the record date of March 31, 2023 (the end of the financial year). For details, please refer to the “Notice Regarding Distribution of Dividends from Retained Earnings (No Dividend)” released separately today.

## ***News Release (6409 TSE)***

(Reference) Outline of the Tender Offer (attached)

Please see the attached materials “Notice Regarding Plan to Commence a Tender Offer for KITO CORPORATION Shares (Securities code: 6409)” that were published on this day by the Offeror.

## ***News Release (6409 TSE)***

### **Solicitation Regulations**

This document is a press release to announce a position on the Tender Offer to the general public and has not been prepared for the purpose of soliciting a sale. If shareholders wish to make an offer to sell, they should be sure to read the tender offer explanatory statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer or solicitation to sell, or any offer or solicitation to buy, any securities. In addition, neither this press release (nor any part of it) nor the fact of its distribution shall form the basis of any agreement regarding the Tender Offer, nor shall it be relied on in connection with executing any such agreement.

### **U.S. Regulations**

Although the Tender Offer will be conducted in compliance with procedures and information disclosure standards prescribed by law, these procedures and standards are not necessarily the same as the procedures and standards in the United States. In particular, Section 13(e) or Section 14(d) of the Securities Exchange Act of 1934 (as amended; "Securities Exchange Act") and the rules promulgated under such Section do not apply to the Tender Offer, and the Tender Offer does is not in compliance with such procedures and standards.

Except for where specifically noted, all procedures in connection with the Tender Offer shall be conducted in the Japanese language. While a part or all of the documents in connection with the Tender Offer may be prepared in English, the Japanese documents shall prevail in case of any discrepancies between Japanese documents and corresponding English documents.

### **Other Countries**

Some countries or regions may impose restrictions on the announcement, issue, or distribution of this press release. In such cases, please take note of such restrictions and comply with them. The announcement, issue or distribution of this press release shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.